

# **Ypsilanti Community Utilities Authority**

**Environmental Leaders**



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

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# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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**Year Ended August 31, 2007**



**REHMANN ROBSON**

*Certified Public Accountants*

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended August 31, 2007**

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# INTRODUCTORY SECTION



December 21, 2007

**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, 2007.

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, 2007 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, 2007 are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Authority**

YCUA provides water and wastewater services to the Ypsilanti area. The Authority is governed by a Board of Commissioners comprised of two representatives from the City of Ypsilanti (the "City") and three from the Charter Township of Ypsilanti (the "Township").

The Authority provides water and sewage services to the City and Township, as well as the townships of Pittsfield, Augusta, York and Superior. YCUA also contracts with Sumpter Township for wastewater treatment and Western Townships Utility Authority to provide wastewater treatment services for the townships of Canton, Northville and Plymouth.

The Authority was formed in 1974 by the Township and City in response to a number of factors occurring at that time. The need for a new wastewater treatment facility was the most significant driving force to bring about the creation of YCUA. By combining the water and sewer departments of both the City and Township, economic benefits through the elimination of the staff duplication and economies of scale could be achieved. The fact that the City is almost completely surrounded by the Township makes the combination of the two systems an obvious economic advantage.

The current wastewater plant was opened in 1982 with a capacity of 28.9 million gallons per day (MGD). The wastewater treatment consists of primary screening, grit removal, primary clarification, and secondary and tertiary treatment utilizing the activated sludge process. A permit is issued from the Michigan Department of Environmental Quality (MDEQ) that regulates the discharge from the wastewater treatment plant. This permit requires stable effluent treatment levels and the plant currently is in compliance with its permit.

Growth in the Wayne County townships of Plymouth, Canton and Northville resulted in a request by Western Townships Utilities Authority (WTUA, the organization that represents the three townships) to expand the plant to treat the wastewater generated by these communities. Presently, the wastewater from the three communities is divided between the YCUA and Wayne County systems.

Construction on the plant expansion and improvements project, which increased the YCUA wastewater facility treatment capacity by 17 MGD to 45.9 MGD, began in 2002 and continued through 2007. The expanded capacity is for the WTUA. WTUA is presently negotiating with Wayne County and it is anticipated that all the sewage from Northville and Plymouth Townships, and a majority of the sewage of Canton Township will be diverted to YCUA upon completion of the negotiations. The new construction updates equipment, adds additional odor controls, safer disinfection equipment and a more efficient incinerator for burning sewage sludge, which replaced a multiple hearth unit. Engineers estimate air pollution will be reduced by more than 80%. Eight MGD capacity has been leased to WTUA, which helped pay for many of these improvements.

Of the 45.9 MGD of total capacity, WTUA now has rights to use up to 54% of the total plant capacity.

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

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 69% funded as of December 31, 2006 (the date of the latest actuarial valuation). The remaining unfunded amount is being systematically funded over 30 years as part of the annual required contribution calculated by the actuary.

The Authority also provides postretirement health care benefits to all full-time employees upon retirement. As of August 31, 2007, there were 57 retired employees receiving these benefits, which have been 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.

In September 2005, YCUA entered into an agreement with MERS to create a retiree healthcare trust fund. Further information regarding this and 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**

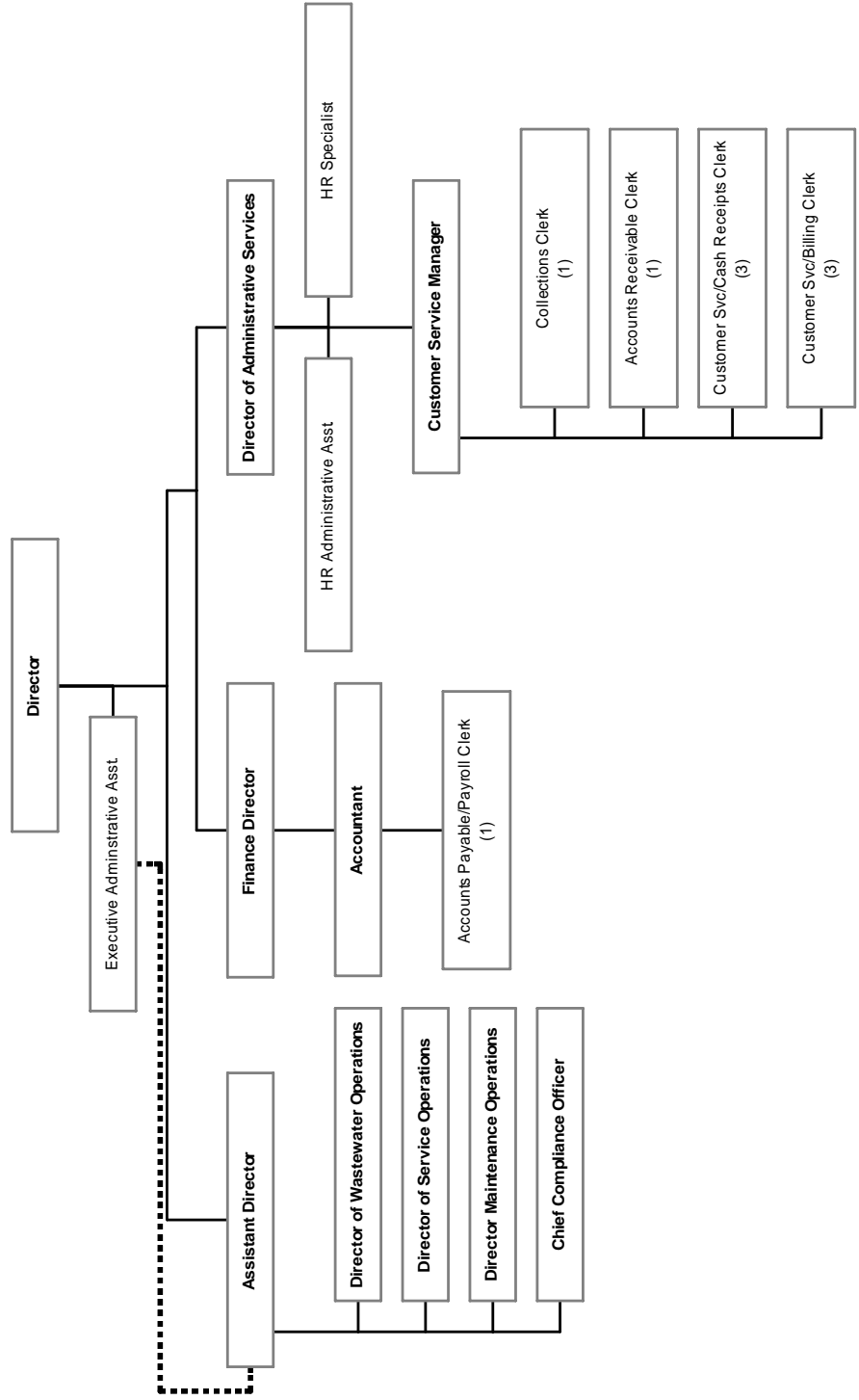
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Ypsilanti Community Utilities Authority. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this 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 Accounting Personnel Effective 8/31/2007



## Organizational Chart



# FINANCIAL SECTION





**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT**

December 21, 2007

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, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ypsilanti Community Utilities Authority as of August 31, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2-8 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 21, 2007 on our consideration of the Authority's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in a separately issued single audit report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 schedules have been subjected to the auditing procedures applied in the audit of the 2007 financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the 2007 financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

## MANAGEMENT'S DISCUSSION and ANALYSIS



## **Management's Discussion and Analysis**

As management of the *Ypsilanti Community Utilities Authority* we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended August 31, 2007. We encourage readers to consider the information presented herein conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iii of this report.

### **Financial Highlights**

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal by \$206,041,046 (*net assets*). Of this amount, \$12,058,826 (*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 \$2,098,798.
- The Authority's total long-term debt (i.e., bonds and capital leases) increased by \$1,071,389 during the current fiscal year; new and refunding debt was incurred during the year as described in detail in Note 3-E of this report.

### **Overview of the Financial Statements**

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

- The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *statement of revenues, expenses and changes in net assets* presents information showing how the Authority's net assets changed during the 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 \$206,041,046 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (88.2 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 (5.9 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

	<b>2007</b>	<b>2006</b>
Current and other assets	\$ 21,744,801	\$ 20,484,847
Restricted assets	12,234,292	12,764,003
Capital assets	250,475,500	248,404,832
<b>Total assets</b>	<b>284,454,593</b>	<b>281,653,682</b>
Long-term liabilities outstanding	71,177,529	70,976,848
Other liabilities	7,236,018	6,734,586
<b>Total liabilities</b>	<b>78,413,547</b>	<b>77,711,434</b>
Net assets:		
Invested in capital assets, net of related debt	181,747,928	179,809,012
Restricted	12,234,292	12,764,003
Unrestricted	12,058,826	11,369,233
<b>Total net assets</b>	<b>\$206,041,046</b>	<b>\$203,942,248</b>

The Authority's net assets increased by \$2,098,798 during the current fiscal year. Key elements of this increase include:

- Capital contributions of over \$4.8 million were made to the Authority.
- Water sales increased by \$1.4 million (or 9.9 percent) due to an 8.1 percent increase in consumption accompanied with a rate increase, while corresponding direct costs for water distribution increased by \$443,115 (or 7.4 percent) due to the increase in consumption and an increase in Detroit water rates.
- Sewage disposal sales increased by \$2.9 million (or 21.0 percent) primarily due to increased usage of 14.2%; direct costs for wastewater treatment increased \$3.9 million (or 30.1 percent) due to incremental depreciation (\$3.1 million, non-cash), chemical (\$.3 million) and utility (\$.5 million) expense associated with increased plant capacity. Total wastewater generated by the City and Township increased by 14.2 percent, of which the largest component was wastewater treated for WTUA which increased 23.5 percent.
- Total operating expenses increased by \$5.1 million (or 15.7 percent) primarily reflecting the \$3.6 million increase (or 54.3 percent) in depreciation expense (non-cash; \$10.3 million versus \$6.7 million in the prior year) associated with the wastewater treatment plant expansion.

- The city division increased sewer rates 3.0 percent and water rates 5.14 percent; the surcharge remained unchanged at 80.0 percent. These rates all became effective November 13, 2007.
- The township division sewer rates increased 3.0 percent and water rates 5.14 percent. The water rate increase became effective September 1, 2007. The sewer rate increase became effective November 1, 2007. The surcharge rate remained unchanged at 5.0 percent.

#### YCUA's Changes in Net Assets

	2007	2006
Operating revenue	\$ 35,857,683	\$ 31,802,962
Expenses:		
Water division	13,319,522	12,143,881
Wastewater division	23,944,048	20,061,580
Total expenses	37,263,570	32,205,461
Operating income (loss)	(1,405,887)	(402,499)
Non-operating revenue (expense)	(803,786)	905,507
Net income (loss)	(2,209,673)	503,008
Capital contributions	4,838,532	8,356,155
Special item	(530,061)	(38,674)
Change in net assets	2,098,798	8,820,489
Net assets - beginning	203,942,248	195,121,759
Net assets - end of year	\$206,041,046	\$203,942,248

## **Capital Asset and Debt Administration**

**Capital assets.** YCUA's investment in capital assets as of August 31, 2007 amounted to \$250.5 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 \$2.1 million or 0.8 percent. The vast majority of the increase is attributable to water and wastewater system improvements.

### **YCUA's Capital Assets** (net of depreciation)

	<u>2007</u>	<u>2006</u>
Land	\$ 1,298,704	\$ 1,298,704
Buildings and improvements	1,255,014	1,309,413
Wastewater treatment plant	134,083,152	139,885,661
Water and wastewater systems	104,908,433	102,422,310
Vehicles	1,014,583	942,437
Equipment	1,364,614	1,500,643
Construction in process	<u>6,551,000</u>	<u>1,045,664</u>
Total	<u>\$250,475,500</u>	<u>\$248,404,832</u>

Additional information on the Authority's capital assets can be found in Note 3-D on pages 21-22 of this report.

**Long-term debt.** At year-end, the Authority had \$71,527,725 of long-term debt including limited tax obligation bonds, revenue bonds, capital leases and other obligations as summarized below.

### **YCUA's Outstanding Debt**

	<u>2007</u>	<u>2006</u>
Limited tax obligation bonds	\$ 33,933,405	\$ 31,845,782
Revenue bonds	36,055,000	36,446,017
Capital leases	389,320	1,014,537
Environmental liability	<u>1,150,000</u>	<u>1,150,000</u>
Total	<u>\$ 71,527,725</u>	<u>\$ 70,456,336</u>

Additional information on the Authority's long-term debt can be found in Note 3-E on pages 23-28 of this report.

## **Economic Factors Affecting Next Year's Operations and Rates**

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

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

Other factors also affect the Authority's operating plan for fiscal 2008. The most significant among them are changes in consumer behavior in response to local economic conditions, the effects of inflation on the local labor market and health care costs, and the rates charged by the Authority's water supplier (i.e., the City of Detroit Water Board).

YCUA's plan reflects a belief that local economic conditions will not improve from those during fiscal 2007. 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 2008 is approximately \$42 million; key provisions include:

- A decrease of 1.8 percent in budgeted operating revenue, attributable to a conservative consumption forecast due to further anticipated economic slowdowns of our manufacturing customers.
- A net increase of 12.1 percent in operating expenses due to increasing costs for purchased water, chemicals, and utilities.

The capital budget for fiscal 2008 totals approximately \$16 million due primarily to water main replacement projects in the Township division. Delivering water to our customers and collecting and treating the wastewater generated are the primary functions of the Authority. In addition, planning for the future water and wastewater needs of our communities is a vital function. Other capital asset activity scheduled to occur includes:

- Many water 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 2008, about 2.5 miles of water main in the City and Township are scheduled for replacement.



- Sewer improvements include installing a by-pass provision around a pumping station, a \$1 million improvement in a major sewage pumping station, and approximately 2 miles of cured-in-place sewer rehabilitation.

### **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,	
	2007	2006
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 11,921,072	\$ 12,318,685
Receivables, net	6,891,615	5,834,065
Inventories	1,003,975	870,263
Prepaid items	84,715	61,500
Total current assets	19,901,377	19,084,513
Noncurrent assets:		
Restricted assets:		
Cash and investments	9,669,963	10,338,059
Bond reserve funds held by City of Ypsilanti	2,564,329	2,425,944
Receivables, long-term portion	556,933	653,382
Capital assets not being depreciated	7,849,704	2,344,368
Capital assets being depreciated, net	242,625,796	246,060,464
Unamortized bond issuance costs	1,286,491	746,952
Total noncurrent assets	264,553,216	262,569,169
Total assets	284,454,593	281,653,682
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	3,058,639	3,195,725
Retentions, deposits and other liabilities	3,584,689	2,915,243
Accrued interest payable	592,690	623,618
Current maturities of long-term liabilities	2,633,372	2,930,217
Current maturities of accrued compensated absences	649,979	615,514
Total current liabilities	10,519,369	10,280,317
Long-term liabilities:		
Bonds payable	66,688,252	66,076,284
Capital leases payable	205,948	389,319
Environmental liability	350,000	350,000
Accrued compensated absences	649,978	615,514
Total long-term liabilities	67,894,178	67,431,117
Total liabilities	78,413,547	77,711,434
<b>Net assets</b>		
Invested in capital assets, net of related debt	181,747,928	179,809,012
Restricted for special purposes	12,234,292	12,764,003
Unrestricted	12,058,826	11,369,233
Total net assets	\$ 206,041,046	\$ 203,942,248

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

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

	<b>For the Year Ended August 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>Operating revenue</b>		
Water sales	\$ 12,680,932	\$ 11,542,307
Sewage disposal sales	16,480,689	13,621,058
Surcharges and other usage fees:		
Capital improvement surcharge	3,635,521	3,618,741
Construction reserve	340,414	433,807
Environmental reserve	144,171	106,254
Capital cost recovery	75,805	263,592
Other operating revenue	2,500,151	2,217,203
<b>Total operating revenue</b>	<b>35,857,683</b>	<b>31,802,962</b>
<b>Operating expenses</b>		
Water distribution	7,486,176	7,085,751
Wastewater treatment	16,977,585	13,052,424
Wastewater pump stations	1,054,513	883,122
Industrial surveillance	335,299	335,131
Transmission and distribution	6,630,235	6,105,316
Meter service	1,518,009	1,513,485
Customer accounting and collections	837,640	791,665
General and administration	2,424,113	2,438,567
<b>Total operating expenses</b>	<b>37,263,570</b>	<b>32,205,461</b>
Operating income (loss)	<b>(1,405,887)</b>	<b>(402,499)</b>
<b>Nonoperating income (expense)</b>		
Investment earnings	1,595,219	958,973
Connection fees	265,589	909,761
Debt service contribution	63,007	146,476
Interest and amortization expense	(2,747,453)	(1,109,703)
Gain on disposal of capital assets	19,852	-
<b>Total nonoperating income (expense)</b>	<b>(803,786)</b>	<b>905,507</b>
Income (loss) before contributions and special item	(2,209,673)	503,008
<b>Capital contributions</b>	4,838,532	8,356,155
<b>Special item</b>	<b>(530,061)</b>	<b>(38,674)</b>
Change in net assets	2,098,798	8,820,489
Net assets, beginning of year	203,942,248	195,121,759
<b>Net assets, end of year</b>	<b>\$ 206,041,046</b>	<b>\$ 203,942,248</b>

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

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Statements of Cash Flows**

	<b>For the Year Ended August 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities</b>		
Receipts from customers and users	\$ 34,561,183	\$ 32,001,671
Payments to suppliers	(13,227,969)	(12,363,642)
Payments to employees and employee benefits	(13,100,714)	(12,785,219)
	8,232,500	6,852,810
<b>Cash flows from capital and related financing activities</b>		
Proceeds from issuance of and draws on long-term debt	25,592,906	584,423
Payments to refunding bond escrow agents	(22,461,376)	-
Payment of bond issuance costs	(600,855)	-
Payment of original issuance discount on bonds	(220,404)	-
Bond reserve funds deposited with the City of Ypsilanti	(138,385)	(164,143)
Acquisition and construction of capital assets	(7,924,052)	(12,569,833)
Proceeds from sale or disposal of capital assets	20,613	-
Payments for special item	(530,061)	(38,674)
Principal payments on long-term debt	(3,046,517)	(3,466,352)
Interest payments on long-term debt	(2,718,725)	(3,068,405)
Receipts for debt service costs	63,007	146,476
Receipts from capital contributions	803,443	6,551,421
Receipts from connection fees	265,589	909,761
	(10,894,817)	(11,115,326)
<b>Cash flows from investing activities</b>		
Earnings received on investments	1,596,608	959,459
	(1,065,709)	(3,303,057)
Cash and investments, beginning of year	22,656,744	25,959,801
<b>Cash and investments, end of year</b>	\$ 21,591,035	\$ 22,656,744
<b>Reconciliation to statements of net assets</b>		
Cash and investments	\$ 11,921,072	\$ 12,318,685
Restricted cash and investments	9,669,963	10,338,059
<b>Total cash and investments</b>	\$ 21,591,035	\$ 22,656,744

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Statements of Cash Flows (Concluded)**

	<b>For the Year Ended August 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income (loss)	\$ (1,405,887)	\$ (402,499)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	10,329,205	6,692,593
Amortization of bond issuance costs, discounts and deferred loss on refunding	161,320	113,368
Changes in current assets and liabilities:		
Receivables	(1,296,500)	198,709
Inventories	(133,712)	(183,345)
Prepaid items	(23,215)	187,265
Accounts payable	(137,086)	443,687
Retentions, deposits and other liabilities	669,446	(205,414)
Accrued compensated absences	68,929	8,446
<b>Net cash provided by operating activities</b>	<b>\$ 8,232,500</b>	<b>\$ 6,852,810</b>
<b>Non-cash items</b>		
Capital contributions from developers	<b>\$ 4,371,877</b>	<b>\$ 2,301,620</b>

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

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### 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

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

### 1-C. Assets, Liabilities and Equity

#### Deposits and Investments

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

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

Investments are stated at fair value.

#### Receivables

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

The receivable from 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 and/or WTUA's contractual share of operating and maintenance costs based on an annual lookback analysis. (See Note 3-B)

#### Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

#### Restricted Assets

The proceeds of certain bond issues, as well as certain other resources, are classified as restricted assets on the statement of net assets to indicate that their use is limited as stipulated by contract or ordinance.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

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### 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, 2007 and 2006, net interest costs of \$104,705 and \$1,926,120, 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

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### NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### 2-A. Budgetary Information

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

#### 2-B. Rate Setting

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

### NOTE 3 – DETAILED NOTES

#### 3-A. Deposits and Investments

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

	<u>2007</u>	<u>2006</u>
<b>Statement of Net Assets:</b>		
Cash and investments	\$ 11,921,072	\$ 12,318,685
Restricted cash and investments	<u>9,669,963</u>	<u>10,338,059</u>
<b>Total</b>	<b><u>\$ 21,591,035</u></b>	<b><u>\$ 22,656,744</u></b>
<b>Deposits and Investments:</b>		
Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 14,190,451	\$ 11,116,714
Investments in securities and money market accounts	7,399,734	11,539,180
Cash on hand	<u>850</u>	<u>850</u>
<b>Total</b>	<b><u>\$ 21,591,035</u></b>	<b><u>\$ 22,656,744</u></b>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

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*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, 2007, \$13,221,551 of the Authority's total bank balance of \$13,921,551 (total book balance was \$14,190,451) was exposed to custodial credit risk as it was uninsured and uncollateralized. As of August 31, 2006, \$11,114,830 of the Authority's total bank balance of \$11,814,830 (total book balance was \$11,116,714) 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>2007</u>	<u>2006</u>
Money market accounts	\$ 7,399,734	\$ 11,539,180

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, 2007 and 2006, all of the Authority's investments were held in money market accounts, which are not subject to custodial credit risk.

*Credit Risk.* The Authority held investments in money market mutual funds, which are not rated. All of the Authority's investments comply with its policy regarding the types of investments it may hold.

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

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

### 3-B. Receivables

Receivables as of August 31 are summarized as follows:

	<u>2007</u>	<u>2006</u>
Accounts	\$ 6,554,153	\$ 5,332,816
Due from Western Townships Utility Authority	211,253	336,788
Accrued investment interest	6,314	7,703
Benefit charges	83,779	163,038
Special assessments	553,919	581,700
Note	<u>39,130</u>	<u>65,402</u>
	7,448,548	6,487,447
Less long-term portion of benefit charges, special assessments and note	<u>(556,933)</u>	<u>(653,382)</u>
	<u>\$ 6,891,615</u>	<u>\$ 5,834,065</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>2007</u>	<u>2006</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))	1,520,200	1,880,328
WWTP future construction reserve (WWTP construction agreement, as amended)	942,860	330,615
Flexible spending account (IRS regulatory requirement)	575	3,177
City construction reserve surcharge (Ordinance No. 697, section 2.137)	1,125,077	1,003,336
City debt retirement and capital improvements surcharge (Ordinance No. 696, amended by Ordinance No. 959)	824,913	708,664
Wastewater treatment plant improvement reserve (WTUA wastewater disposal agreement, as amended)	899,221	984,050
EPA replacement reserve (EPA regulatory requirements)	2,132,885	2,310,914
Township environmental reserve surcharge (Ordinance No. 11, section 9; amended by No. 134)	1,539,551	1,834,235
WTUA construction trust account (WTUA wastewater disposal agreement, as amended)	63,945	375,360
Construction project bond/capital lease proceeds (Bond ordinances)	320,736	607,380
	<u>\$ 9,669,963</u>	<u>\$ 10,338,059</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

### 3-D. Capital Assets

Capital assets activity for the year ended August 31, 2007 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 1,298,704	\$ -	\$ -	\$ 1,298,704
Construction in progress	1,045,664	7,075,757	(1,570,421)	6,551,000
Total capital assets not being depreciated	2,344,368	7,075,757	(1,570,421)	7,849,704
Capital assets being depreciated:				
Buildings and improvements	2,169,923	-	-	2,169,923
Wastewater treatment plant	177,376,632	620,639	-	177,997,271
Water and wastewater systems	143,622,152	5,587,011	-	149,209,163
Vehicles	2,910,195	314,020	(230,040)	2,994,175
Equipment	4,464,964	373,628	-	4,838,592
Total capital assets being depreciated	330,543,866	6,895,298	(230,040)	337,209,124
Less accumulated depreciation for:				
Buildings and improvements	860,510	54,399	-	914,909
Wastewater treatment plant	37,490,971	6,423,148	-	43,914,119
Water and wastewater systems	41,199,842	3,100,888	-	44,300,730
Vehicles	1,967,758	241,113	(229,279)	1,979,592
Equipment	2,964,321	509,657	-	3,473,978
Total accumulated depreciation	84,483,402	10,329,205	(229,279)	94,583,328
Total capital assets being depreciated, net	246,060,464	(3,433,907)	(761)	242,625,796
Total capital assets, net	\$ 248,404,832	\$ 3,641,850	\$ (1,571,182)	\$ 250,475,500



# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

Capital assets activity for the year ended August 31, 2006 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 1,298,704	\$ -	\$ -	\$ 1,298,704
Construction in progress	124,730,041	13,735,424	(137,419,801)	1,045,664
Total capital assets not being depreciated	126,028,745	13,735,424	(137,419,801)	2,344,368
Capital assets being depreciated:				
Buildings and improvements	2,169,923	-	-	2,169,923
Wastewater treatment plant	65,884,265	111,492,367	-	177,376,632
Water and wastewater systems	115,253,362	28,368,790	-	143,622,152
Vehicles	2,584,578	336,203	(10,586)	2,910,195
Equipment	4,180,374	284,590	-	4,464,964
Total capital assets being depreciated	190,072,502	140,481,950	(10,586)	330,543,866
Less accumulated depreciation for:				
Buildings and improvements	806,110	54,400	-	860,510
Wastewater treatment plant	34,230,818	3,260,153	-	37,490,971
Water and wastewater systems	38,606,979	2,592,863	-	41,199,842
Vehicles	1,773,072	205,272	(10,586)	1,967,758
Equipment	2,384,416	579,905	-	2,964,321
Total accumulated depreciation	77,801,395	6,692,593	(10,586)	84,483,402
Total capital assets being depreciated, net	112,271,107	133,789,357	-	246,060,464
Total capital assets, net	\$ 238,299,852	\$ 147,524,781	\$ (137,419,801)	\$ 248,404,832

The Authority has active construction projects as of August 31, 2007. The primary projects include the M-17 water main replacement, the Factory Street sewer, and the Hewitt-Valley-Congress water main replacement projects. These projects are being financed through a combination of bond issues and capital reserve balances.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

### 3-E. Long-term Debt

*Limited tax general obligation bonds.* The Authority issues bonds that are backed by the full faith and credit of the City or Township, but where the income derived from the acquired or constructed assets is intended to pay debt service. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. The original amount of bonds issued in prior years for the issues outstanding as of August 31, 2007 was \$35,683,677.

During fiscal 2007 and 2006, the cash draws against the 2003 Drinking Water Revolving Fund bond amounted to \$-0- and \$136,223, respectively, which were the project construction costs incurred during those years. The total amount authorized under this issue is \$6,025,000; accordingly, \$2,093,651 is still available as of August 31, 2007, and expected to be drawn.

During fiscal 2007, the Authority issued \$6,800,000 of general obligation bonds to provide resources to refund \$1,010,000 of 1999 sewer system bonds and \$5,455,000 of 2001 sewer system bonds. The Authority also issued \$7,705,000 of general obligation bonds to refund \$5,715,000 of 2002 sewer system bonds and provide \$1,500,000 of new project monies. No new or refunding bonds were issued during fiscal 2006.

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>
<b>2007</b>							
1998 water (DWRF)	Twp	2.50%	\$ 2,397,056	\$ -	\$ (200,000)	\$ 2,197,056	\$ 205,000
1999 water (DWRF)	City	2.50%	710,000	-	(45,000)	665,000	45,000
1999 sewer	Twp	4.90%	1,135,000	-	(1,070,000)	65,000	65,000
2000 sewer	Twp	5.00-5.10%	2,150,000	-	(95,000)	2,055,000	100,000
2001 sewer	Twp	4.875%	6,535,000	-	(5,585,000)	950,000	140,000
2002 sewer	Twp	3.25-5.00%	14,195,000	-	(5,960,000)	8,235,000	260,000
2003 water	Twp	3.00-4.35%	1,795,000	-	(60,000)	1,735,000	65,000
2003 water (DWRF)	Twp	2.50%	2,928,726	-	(166,300)	2,762,426	140,000
2006 refunding	Twp	3.75-4.125%	-	6,800,000	-	6,800,000	-
2007 water / refunding	Twp	4.00-4.10%	-	7,705,000	-	7,705,000	75,000
2007 water (DWRF)	City	2.125%	-	82,500	-	82,500	5,000
2007 water (DWRF)	Twp	2.125%	-	681,423	-	681,423	-
			<u>\$ 31,845,782</u>	<u>\$ 15,268,923</u>	<u>\$ (13,181,300)</u>	<u>\$ 33,933,405</u>	<u>\$ 1,100,000</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

	<u>Credit</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>2006</b>							
1998 water (DWRf)	Twp	2.50%	\$ 2,592,056	\$ -	\$ (195,000)	\$ 2,397,056	\$ 200,000
1999 water (DWRf)	City	2.50%	755,000	-	(45,000)	710,000	45,000
1999 sewer	Twp	4.90-5.35%	1,195,000	-	(60,000)	1,135,000	60,000
2000 sewer	Twp	5.00-5.10%	2,240,000	-	(90,000)	2,150,000	95,000
2001 sewer	Twp	4.875-5.10%	6,660,000	-	(125,000)	6,535,000	130,000
2002 sewer	Twp	3.00-5.00%	14,425,000	-	(230,000)	14,195,000	245,000
2003 water	Twp	3.00-4.35%	1,850,000	-	(55,000)	1,795,000	60,000
2003 water (DWRf)	Twp	2.50%	2,927,503	136,223	(135,000)	2,928,726	140,000
			<u>\$32,644,559</u>	<u>\$ 136,223</u>	<u>\$ (935,000)</u>	<u>\$ 31,845,782</u>	<u>\$ 975,000</u>

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

Because certain principal and interest payments on bonds are due September 1, the Authority makes payment on those obligations on or before August 31. As such, since the amounts *due within one year* for certain issues were already paid, no amounts are shown as payable within one year for those particular issues.

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

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,100,000	\$ 1,350,929
2009	1,285,000	1,327,866
2010	1,330,000	1,284,119
2011	1,380,000	1,238,295
2012	1,430,000	1,190,094
2013-2017	7,952,056	5,147,789
2018-2022	7,950,000	3,648,784
2023-2027	7,335,000	2,101,466
2028-2032	6,265,000	731,689
	<u>36,027,056</u>	<u>\$18,021,031</u>
Less available draws	<u>2,093,651</u>	
	<u>\$33,933,405</u>	

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

*Revenue bonds.* The Authority, in conjunction with City, also issues bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. The original amount of revenue bonds issued in prior years for the issues outstanding as of August 31, 2007 was \$39,560,000.

During fiscal 2007 and 2006, cash draws against previously issued bonds amounted to \$428,983 and \$448,200, respectively, which were the project construction costs incurred during those years. The total amount authorized under these issues was \$16,615,000, all of which has been drawn as of August 31, 2007.

During fiscal 2007, the Authority issued \$9,895,000 of revenue refunding bonds to refund \$2,720,000 of 2001 water and sewer revenue bonds, \$3,460,000 of 2002A water and sewer revenue bonds and \$3,115,000 of 2002C water and sewer revenue bonds. No new or refunding bonds were issued during fiscal 2006.

Revenue bonds outstanding at August 31 are as follows:

	<u>Credit</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>2007</u></b>							
2001 water and sewer	City	4.25-4.875%	\$ 3,895,000	\$ -	\$ (2,750,000)	\$ 1,145,000	\$ -
2002A water and sewer	City	4.00-5.00%	4,855,000	-	(3,500,000)	1,355,000	-
2002B water (DWRF)	City	2.50%	420,000	-	(20,000)	400,000	20,000
2002C water and sewer	City	4.00-4.75%	7,870,000	-	(3,335,000)	4,535,000	-
2003A water and sewer	City	3.00-4.10%	4,115,000	-	(510,000)	3,605,000	-
2003B water and sewer	City	3.50-4.25%	1,445,255	4,745	(30,000)	1,420,000	-
2003C water (DWRF)	City	2.50%	725,000	-	(30,000)	695,000	35,000
2003D water (DWRF)	City	2.50%	4,872,507	12,493	(220,000)	4,665,000	225,000
2004A water and sewer	City	3.30-4.55%	2,173,255	411,745	(60,000)	2,525,000	-
2004B water (DWRF)	City	2.125%	6,075,000	-	(260,000)	5,815,000	270,000
2006 refunding	City	3.75-4.125%	-	9,895,000	-	9,895,000	-
			<u>\$ 36,446,017</u>	<u>\$ 10,323,983</u>	<u>\$ (10,715,000)</u>	<u>\$ 36,055,000</u>	<u>\$ 550,000</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

	<b>Credit</b>	<b>Interest Rates</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b><u>2006</u></b>							
2001 water and sewer	City	4.25-6.00%	\$ 3,925,000	\$ -	\$ (30,000)	\$ 3,895,000	\$ -
2002A water and sewer	City	4.00-5.00%	4,895,000	-	(40,000)	4,855,000	-
2002B water (DWRF)	City	2.50%	440,000	-	(20,000)	420,000	20,000
2002C water and sewer	City	4.00-5.00%	8,080,000	-	(210,000)	7,870,000	-
2003A water and sewer	City	3.00-4.10%	4,610,000	-	(495,000)	4,115,000	-
2003B water and sewer	City	3.50-4.25%	1,451,039	19,216	(25,000)	1,445,255	-
2003C water (DWRF)	City	2.50%	736,317	18,683	(30,000)	725,000	30,000
2003D water (DWRF)	City	2.50%	5,095,000	-	(222,493)	4,872,507	220,000
2004A water and sewer	City	3.30-4.55%	1,822,954	410,301	(60,000)	2,173,255	-
2004B water (DWRF)	City	2.125%	6,330,000	-	(255,000)	6,075,000	260,000
			<u>\$ 37,385,310</u>	<u>\$ 448,200</u>	<u>\$ (1,387,493)</u>	<u>\$ 36,446,017</u>	<u>\$ 530,000</u>

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

<b>Year Ended August 31,</b>	<b>Principal</b>	<b>Interest</b>
2008	\$ 550,000	\$ 959,459
2009	1,515,000	1,229,224
2010	1,560,000	1,182,732
2011	1,610,000	1,133,420
2012	1,660,000	1,080,845
2013-2017	8,860,000	4,509,543
2018-2022	9,935,000	2,863,922
2023-2027	9,165,000	1,061,946
2028	1,200,000	25,175
	<u>\$36,055,000</u>	<u>\$14,046,266</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

*Capital leases.* The Authority has entered into agreements for the acquisition of a building and the construction and operation of system expansions and improvements that constitute capital leases under Financial Accounting Standards Board Statements No. 13. With the exception of the building capital lease (which is an agreement between the Authority and the Township), the leases represent a limited tax obligation bond issued by the County 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 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, 2007 was \$12,793,163. During fiscal 2007 and 2006, no new capital leases were issued.

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>
<b><u>2007</u></b>							
Building	n/a	10.70%	\$ 554,537	\$ -	\$ (165,217)	\$ 389,320	\$ 183,372
1994 sewer	County	5.10%	280,000	-	(280,000)	-	-
1999 sewer	County	4.20%	180,000	-	(180,000)	-	-
			<u>\$ 1,014,537</u>	<u>\$ -</u>	<u>\$ (625,217)</u>	<u>\$ 389,320</u>	<u>\$ 183,372</u>
<b><u>2006</u></b>							
Building	n/a	10.70%	\$ 703,396	\$ -	\$ (148,859)	\$ 554,537	\$ 165,217
1994 sewer	County	5.10%	1,120,000	-	(840,000)	280,000	280,000
1999 sewer	County	4.15-4.20%	335,000	-	(155,000)	180,000	180,000
			<u>\$ 2,158,396</u>	<u>\$ -</u>	<u>\$ (1,143,859)</u>	<u>\$ 1,014,537</u>	<u>\$ 625,217</u>

Capital leases debt service requirements to maturity are as follows:

<u>Year Ended</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 183,372	\$ 36,628
2009	<u>205,948</u>	<u>14,052</u>
	<u>\$ 389,320</u>	<u>\$ 50,680</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

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*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, 2007, 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.

*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.

*Advance refundings.* During the year, the Authority completed three refundings, summarized as follows:

On December 21, 2006, the Authority issued \$6,800,000 of limited tax general obligation (LTGO) refunding bonds to provide resources to purchase U. S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments on \$6,465,000 of bonds (\$1,010,000 of 1999 LTGO bonds and \$5,455,000 of 2001 LTGO bonds). As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$156,644. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the refunded debt. The advance refunding resulted in an economic gain of \$371,557 and a total reduction of \$575,539 in future debt service payments.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

On December 28, 2006, the Authority (in conjunction with the City) issued \$9,895,000 of revenue refunding bonds to provide resources to purchase U. S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments on \$9,295,000 of bonds (\$2,720,000 of 2001 revenue bonds, \$3,460,000 of 2002A revenue bonds and \$3,115,000 of 2002C revenue bonds). As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$464,592. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the refunded debt. The advance refunding resulted in an economic gain of \$460,806 and a total reduction of \$672,103 in future debt service payments.

On April 19, 2007, the Authority issued \$7,705,000 of limited tax general obligation (LTGO) refunding bonds to provide \$1,500,000 of new project monies and \$6,205,000 of resources to purchase U. S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments on \$5,715,000 of 2002 LTGO bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$178,002. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the refunded debt. The advance refunding resulted in an economic gain of \$276,196 and a total reduction of \$475,773 in future debt service payments.

*Changes in long-term debt.* Following is a summary of long-term debt activity for the year ended August 31, 2007:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Limited tax obligation bonds	\$ 31,845,782	\$ 15,268,923	\$(13,181,300)	\$ 33,933,405	\$ 1,100,000
Revenue bonds	36,446,017	10,323,983	(10,715,000)	36,055,000	550,000
Capital leases	1,014,537	-	(625,217)	389,320	183,372
Environmental liability	1,150,000	-	-	1,150,000	800,000
Compensated absences	1,231,026	998,551	(929,620)	1,299,957	649,979
	<u>71,687,362</u>	<u>26,591,457</u>	<u>(25,451,137)</u>	<u>72,827,682</u>	<u>3,283,351</u>
Deduct deferred amounts for:					
Issuance discounts	(381,898)	(240,404)	25,229	(597,073)	-
Deferred loss on refunding	(328,618)	(814,521)	90,059	(1,053,080)	-
	<u>\$ 70,976,846</u>	<u>\$ 25,536,532</u>	<u>\$(25,335,849)</u>	<u>\$ 71,177,529</u>	<u>\$ 3,283,351</u>



# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

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### 3-F. Capital Contributions

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

	<u>2007</u>	<u>2006</u>
Western Townships Utility Authority	\$ 466,655	\$ 6,054,535
Private developers	4,278,279	2,301,620
City of Ypsilanti	<u>93,598</u>	<u>-</u>
	<u>\$ 4,838,532</u>	<u>\$ 8,356,155</u>

### 3-G. Special Item

During the year ended August 31, 2007, the Authority continued work on a project to demolish the former Bridge Road water distribution plant for public safety purposes; the plant has not been operational since 1994. The project cost is estimated at \$650,000 of which \$530,061 was spent during the current year and \$38,674 the prior year. The cost of this project is being treated as a special item pursuant to GASB Statement Number 34 since it is unusual in nature (i.e., incidentally related to the ordinary and typical operations of the Authority) and subject to management control.

## 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.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

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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.

Additionally, the Authority has filed for arbitration relative to its contract with WTUA, and WTUA has filed related counterclaims. At issue is whether the Authority's contributions to a retiree health care benefits trust (*see Note 4-C*) are operating costs that should be shared by WTUA under its contract with the Authority. The Authority contends that they are and intends to vigorously pursue this matter. Although the outcome of the arbitration is not presently determinable, it is the opinion of the Authority's counsel that the resolution of this matter 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, 2007, 57 retirees received benefits at a cost to the Authority of \$821,799; for the prior year, 52 retirees received benefits at a cost to the Authority of \$822,491.

During fiscal 2006, the Authority established a retiree health care plan trust through the Municipal Employees Retirement System of Michigan (MERS). For the year ended August 31, 2007, the Authority made a contribution to the trust of \$1,178,201 (\$2,000,000 less actual benefits paid of \$821,799); for the year ended August 31, 2006 a contribution of \$1,138,109 (\$1,960,600 less actual benefits paid of \$822,491) was made.

In conjunction with establishing the trust, the Authority also commissioned the preparation of an actuarial valuation of the plan as of August 31, 2005, although the Authority has determined that it will not implement GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, until the year ending August 31, 2009 when required to do so by the standard. The Authority intends to continue making annual contributions to the plan during the interim, but at less than the annual required contribution (ARC) level determined by the actuarial valuation. The contributions made during the years ended August 31, 2007 and 2006 were approximately 89% and 92%, respectively, of the ARC; the Authority expects to contribute at a comparable level until implementation of GASB 45.

Prior to any contributions, the actuarial valuation as of August 31, 2005 estimated an unfunded actuarial accrued liability of approximately \$29.5 million.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

### 4-D. Defined Benefit Pension Plan

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

The Authority is required to contribute at an actuarially determined rate; the current overall rate is 14.80% of annual covered payroll. The Authority's AFSCME unionized employees are required to contribute 1.0% of their annual covered payroll to the plan, whereas non-union and Teamster unionized employees are required to contribute 2.0%. The Authority's contribution requirements are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Authority, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the Authority.

For the year ended August 31, 2007, the Authority's annual pension cost of \$1,155,082 for MERS was equal to the Authority's required and actual contributions. The required contribution was determined as part of the December 31, 2006 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, 2006, the date of the latest actuarial valuation, was 30 years.

### **Three-Year Trend Information**

<b>Annual Years Ended <u>August 31,</u></b>	<b>Pension Cost (APC)</b>	<b>Percentage Contributed</b>	<b>Net Pension Obligation</b>
2005	\$ 925,863	100%	\$ -
2006	1,039,502	100	-
2007	1,155,082	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%
12/31/05	23,276,154	33,270,928	9,994,774	70%	7,186,387	139%
12/31/06	24,848,546	35,783,703	10,935,157	69%	7,803,193	140%

#### 4-E. Supplementary Schedules and Allocation Methods

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

#### 4-F. Segment Information

Revenue bonds have been issued through the City to finance certain water and wastewater capital projects. The City and Township divisions are accounted for in a single fund (i.e., the Authority). However, investors in the revenue bonds rely solely on the revenue generated by the City division for repayment. Accordingly, summary information for the City and Township divisions as of and for the year ended August 31, 2007 is presented below.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

### Condensed Statement of Net Assets

	<u>City</u>	<u>Township</u>	<u>Totals</u>
Current and other assets	\$ 12,659,589	\$ 21,319,504	\$ 33,979,093
Capital assets	75,741,268	174,734,232	250,475,500
Total assets	88,400,857	196,053,736	284,454,593
Long-term liabilities	36,224,787	34,952,742	71,177,529
Other liabilities	982,837	6,253,181	7,236,018
Total liabilities	37,207,624	41,205,923	78,413,547
Invested in capital assets, net of related debt	39,822,621	141,925,307	181,747,928
Restricted	5,640,363	6,593,929	12,234,292
Unrestricted	5,730,249	6,328,577	12,058,826
Total net assets	\$ 51,193,233	\$ 154,847,813	\$ 206,041,046

### Condensed Statement of Revenues, Expenses and Changes in Net Assets

	<u>City</u>			<u>Township</u>			<u>Totals</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>	
Operating revenue	\$3,403,302	\$ 5,936,337	\$ 9,339,639	\$11,351,526	\$15,166,518	\$ 26,518,044	\$ 35,857,683
Operating expenses:							
Depreciation	974,136	1,804,059	2,778,195	1,277,370	6,273,642	7,551,012	10,329,207
Other operating	1,905,697	3,841,290	5,746,987	9,162,319	12,025,057	21,187,376	26,934,363
	2,879,833	5,645,349	8,525,182	10,439,689	18,298,699	28,738,388	37,263,570
Operating income (loss)	523,469	290,988	814,457	911,837	(3,132,181)	(2,220,344)	(1,405,887)
Non-operating income (expense)	(269,115)	(191,502)	(460,617)	206,885	(550,054)	(343,169)	(803,786)
Capital contributions	-	1,213,835	1,213,835	-	3,624,697	3,624,697	4,838,532
Special item	-	-	-	(530,061)	-	(530,061)	(530,061)
Change in net assets	\$ 254,354	\$ 1,313,321	1,567,675	\$ 588,661	\$ (57,538)	531,123	2,098,798
Net assets:							
Beginning of year			49,625,558			154,316,690	203,942,248
End of year			\$ 51,193,233			\$ 154,847,813	\$ 206,041,046

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## SUPPLEMENTARY FINANCIAL INFORMATION

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
**City and Township Allocation**  
**For the Year Ended August 31, 2007**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Operating revenues</b>			
Water sales	\$ 1,874,679	\$ 10,806,253	\$ 12,680,932
Sewage disposal sales	3,311,569	13,169,120	16,480,689
Surcharges and other usage fees:			
Capital improvement surcharge	3,057,792	577,729	3,635,521
Construction reserve	72,434	267,980	340,414
Environmental reserve	-	144,171	144,171
Capital cost recovery	24,526	51,279	75,805
Other operating revenue	998,639	1,501,512	2,500,151
	<u>9,339,639</u>	<u>26,518,044</u>	<u>35,857,683</u>
<b>Operating expenses</b>			
Water distribution	1,047,563	6,438,613	7,486,176
Wastewater treatment	4,199,045	12,778,540	16,977,585
Wastewater pump stations	232,488	822,025	1,054,513
Industrial surveillance	82,920	252,379	335,299
Transmission and distribution	1,811,269	4,818,966	6,630,235
Meter service	361,620	1,156,389	1,518,009
Customer accounting and collections	199,025	638,615	837,640
General and administration	591,252	1,832,861	2,424,113
	<u>8,525,182</u>	<u>28,738,388</u>	<u>37,263,570</u>
Total operating expenses	<u>8,525,182</u>	<u>28,738,388</u>	<u>37,263,570</u>
Operating income	<u>814,457</u>	<u>(2,220,344)</u>	<u>(1,405,887)</u>
<b>Non-operating income (expense)</b>			
Investment earnings	704,584	890,635	1,595,219
Connection fees	10,455	255,134	265,589
Debt service contribution	63,007	-	63,007
Interest and amortization expense	(1,238,663)	(1,508,790)	(2,747,453)
Gain (loss) on disposal of capital assets	-	19,852	19,852
	<u>(460,617)</u>	<u>(343,169)</u>	<u>(803,786)</u>
Non-operating income	<u>(460,617)</u>	<u>(343,169)</u>	<u>(803,786)</u>
Income before contributions and special item	353,840	(2,563,513)	(2,209,673)
<b>Capital contributions</b>	1,213,835	3,624,697	4,838,532
<b>Special item</b>	<u>-</u>	<u>(530,061)</u>	<u>(530,061)</u>
Change in net assets	1,567,675	531,123	2,098,798
Net assets, beginning of year	<u>49,625,558</u>	<u>154,316,690</u>	<u>203,942,248</u>
<b>Net assets, end of year</b>	<u>\$ 51,193,233</u>	<u>\$ 154,847,813</u>	<u>\$ 206,041,046</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2007**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Operating revenues</b>			
Water sales	\$ 12,680,932	\$ -	\$ 12,680,932
Sewage disposal sales	-	16,480,689	16,480,689
Surcharges and other usage fees:			
Capital improvement surcharge	1,797,338	1,838,183	3,635,521
Construction reserve	191,273	149,141	340,414
Environmental reserve	-	144,171	144,171
Capital cost recovery	-	75,805	75,805
Other operating revenue	85,285	2,414,866	2,500,151
	<u>14,754,828</u>	<u>21,102,855</u>	<u>35,857,683</u>
<b>Operating expenses</b>			
Water distribution	7,486,176	-	7,486,176
Wastewater treatment	-	16,977,585	16,977,585
Wastewater pump stations	-	1,054,513	1,054,513
Industrial surveillance	-	335,299	335,299
Transmission and distribution	3,580,827	3,049,408	6,630,235
Meter service	759,006	759,003	1,518,009
Customer accounting and collections	418,823	418,817	837,640
General and administration	1,074,690	1,349,423	2,424,113
	<u>13,319,522</u>	<u>23,944,048</u>	<u>37,263,570</u>
Total operating expenses	<u>13,319,522</u>	<u>23,944,048</u>	<u>37,263,570</u>
Operating income	<u>1,435,306</u>	<u>(2,841,193)</u>	<u>(1,405,887)</u>
<b>Non-operating income (expense)</b>			
Investment earnings	584,132	1,011,087	1,595,219
Connection fees	132,794	132,795	265,589
Debt service contribution	-	63,007	63,007
Interest and amortization expense	(799,008)	(1,948,445)	(2,747,453)
Gain (loss) on disposal of capital assets	19,852	-	19,852
	<u>(62,230)</u>	<u>(741,556)</u>	<u>(803,786)</u>
Non-operating income	<u>(62,230)</u>	<u>(741,556)</u>	<u>(803,786)</u>
Income before contributions and special item	1,373,076	(3,582,749)	(2,209,673)
<b>Capital contributions</b>	-	4,838,532	4,838,532
<b>Special item</b>	<u>(530,061)</u>	<u>-</u>	<u>(530,061)</u>
<b>Change in net assets</b>	<u>\$ 843,015</u>	<u>\$ 1,255,783</u>	<u>\$ 2,098,798</u>



**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Schedule of Revenues and Expenses**  
**Water and Wastewater Allocation by Member**  
**For the Year Ended August 31, 2007**

	City		
	Water	Wastewater	Total
<b>Operating revenues</b>			
Water sales	\$ 1,874,679	\$ -	\$ 1,874,679
Sewage disposal sales	-	3,311,569	3,311,569
Surcharges and other usage fees:			
Capital improvement surcharge	1,467,217	1,590,575	3,057,792
Construction reserve	37,573	34,861	72,434
Environmental reserve	-	-	-
Capital cost recovery	-	24,526	24,526
Other operating revenue	23,833	974,806	998,639
<b>Total operating revenue</b>	<b>3,403,302</b>	<b>5,936,337</b>	<b>9,339,639</b>
<b>Operating expenses</b>			
Water distribution	1,047,563	-	1,047,563
Wastewater treatment	-	4,199,045	4,199,045
Wastewater pump stations	-	232,488	232,488
Industrial surveillance	-	82,920	82,920
Transmission and distribution	1,288,679	522,590	1,811,269
Meter service	180,807	180,813	361,620
Customer accounting and collections	99,511	99,514	199,025
General and administration	263,273	327,979	591,252
<b>Total operating expenses</b>	<b>2,879,833</b>	<b>5,645,349</b>	<b>8,525,182</b>
<b>Operating income (expense)</b>	<b>523,469</b>	<b>290,988</b>	<b>814,457</b>
<b>Non-operating income (expense)</b>			
Investment earnings	264,021	440,563	704,584
Connection fees	5,228	5,227	10,455
Debt service contribution	-	63,007	63,007
Interest and amortization expense	(538,364)	(700,299)	(1,238,663)
Gain (loss) on disposal of capital assets	-	-	-
<b>Non-operating income (expense)</b>	<b>(269,115)</b>	<b>(191,502)</b>	<b>(460,617)</b>
<b>Income (loss) before contributions and special item</b>	<b>254,354</b>	<b>99,486</b>	<b>353,840</b>
<b>Capital contributions</b>	<b>-</b>	<b>1,213,835</b>	<b>1,213,835</b>
<b>Special item</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>\$ 254,354</b>	<b>\$ 1,313,321</b>	<b>\$ 1,567,675</b>

<b>Township</b>			
<b>Water</b>	<b>Wastewater</b>	<b>Total</b>	<b>Total</b>
\$ 10,806,253	\$ -	\$ 10,806,253	\$ 12,680,932
-	13,169,120	13,169,120	16,480,689
330,121	247,608	577,729	3,635,521
153,700	114,280	267,980	340,414
-	144,171	144,171	144,171
-	51,279	51,279	75,805
61,452	1,440,060	1,501,512	2,500,151
<u>11,351,526</u>	<u>15,166,518</u>	<u>26,518,044</u>	<u>35,857,683</u>
6,438,613	-	6,438,613	7,486,176
-	12,778,540	12,778,540	16,977,585
-	822,025	822,025	1,054,513
-	252,379	252,379	335,299
2,292,148	2,526,818	4,818,966	6,630,235
578,199	578,190	1,156,389	1,518,009
319,312	319,303	638,615	837,640
811,417	1,021,444	1,832,861	2,424,113
<u>10,439,689</u>	<u>18,298,699</u>	<u>28,738,388</u>	<u>37,263,570</u>
<u>911,837</u>	<u>(3,132,181)</u>	<u>(2,220,344)</u>	<u>(1,405,887)</u>
320,111	570,524	890,635	1,595,219
127,566	127,568	255,134	265,589
-	-	-	63,007
(260,644)	(1,248,146)	(1,508,790)	(2,747,453)
19,852	-	19,852	19,852
<u>206,885</u>	<u>(550,054)</u>	<u>(343,169)</u>	<u>(803,786)</u>
1,118,722	(3,682,235)	(2,563,513)	(2,209,673)
-	3,624,697	3,624,697	4,838,532
<u>(530,061)</u>	<u>-</u>	<u>(530,061)</u>	<u>(530,061)</u>
<u>\$ 588,661</u>	<u>\$ (57,538)</u>	<u>\$ 531,123</u>	<u>\$ 2,098,798</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses**  
**City and Township Allocation**  
**For the Year Ended August 31, 2007**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Water distribution</b>			
Wages	\$ 56,606	\$ 338,964	\$ 395,570
Benefits allocation	37,938	227,180	265,118
Purchased water	917,009	5,491,162	6,408,171
Utilities	4,985	195,536	200,521
Maintenance and supplies	2,456	14,699	17,155
Computers, copiers and printers	211	1,260	1,471
Third party systems support	2,874	17,209	20,083
Engineering	787	4,713	5,500
Depreciation	4,495	26,919	31,414
Other	4,255	25,479	29,734
Fleet allocation	2,821	16,890	19,711
Maintenance allocation	13,126	78,602	91,728
	<u>1,047,563</u>	<u>6,438,613</u>	<u>7,486,176</u>
<b>Wastewater treatment</b>			
Wages	408,694	1,243,931	1,652,625
Benefits allocation	273,914	833,703	1,107,617
Utilities	631,261	1,921,350	2,552,611
Sludge removal	14,757	44,916	59,673
Maintenance and supplies	122,993	374,346	497,339
Computers, copiers and printers	3,112	9,474	12,586
Third party systems support	44,432	135,237	179,669
Professional services	4,719	14,364	19,083
Engineering	6,145	18,703	24,848
Laboratory	1,599	4,868	6,467
Chemicals	205,650	625,930	831,580
Depreciation	1,647,848	5,015,507	6,663,355
Other	17,353	52,817	70,170
Fleet allocation	77,525	237,835	315,360
Maintenance allocation	585,697	1,778,825	2,364,522
Laboratory allocation	153,346	466,734	620,080
	<u>4,199,045</u>	<u>12,778,540</u>	<u>16,977,585</u>
<b>Wastewater pump stations</b>			
Wages	54,171	164,878	219,049
Benefits allocation	36,306	110,504	146,810
Utilities	94,385	401,684	496,069
Maintenance and supplies	30,442	92,655	123,097
Third party systems support	14,721	44,804	59,525
Professional services	507	1,543	2,050
Depreciation	1,247	3,797	5,044
Other	709	2,160	2,869
	<u>232,488</u>	<u>822,025</u>	<u>1,054,513</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Continued)**  
**City and Township Allocation**  
**For the Year Ended August 31, 2007**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Industrial surveillance</b>			
Wages	\$ 44,891	\$ 136,635	\$ 181,526
Benefits allocation	30,087	91,575	121,662
Maintenance and supplies	2,028	6,171	8,199
Computers, copiers and printers	356	1,084	1,440
Third party systems support	201	612	813
Professional services	1,116	3,395	4,511
Depreciation	420	1,277	1,697
Other	578	1,760	2,338
Fleet allocation	3,243	9,870	13,113
	<u>82,920</u>	<u>252,379</u>	<u>335,299</u>
<b>Transmission and distribution</b>			
Wages	370,320	1,258,177	1,628,497
Benefits allocation	248,213	843,231	1,091,444
Utilities	9,793	33,271	43,064
Sewer overflow settlements	19,301	67,814	87,115
Maintenance:			
Shop and office	7,673	26,070	33,743
Water and sewer mains	95,239	289,315	384,554
Computers, copiers and printers	1,773	6,025	7,798
Third party systems support	763	2,593	3,356
Professional services	7	25	32
Depreciation	964,271	1,989,714	2,953,985
Other	8,577	12,873	21,450
Fleet allocation	77,674	263,812	341,486
Maintenance allocation	7,665	26,046	33,711
	<u>1,811,269</u>	<u>4,818,966</u>	<u>6,630,235</u>
<b>Meter service</b>			
Wages	122,574	393,309	515,883
Benefits allocation	82,151	263,602	345,753
Utilities	6,315	16,303	22,618
Maintenance and supplies	937	3,007	3,944
Computers, copiers and printers	308	987	1,295
Third party systems support	1,159	3,718	4,877
Meter parts	51,849	166,370	218,219
Depreciation	72,149	231,509	303,658
Other	2,143	6,878	9,021
Fleet allocation	22,035	70,706	92,741
	<u>361,620</u>	<u>1,156,389</u>	<u>1,518,009</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Continued)**  
**City and Township Allocation**  
**For the Year Ended August 31, 2007**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Customer accounting and collections</b>			
Wages	\$ 90,549	\$ 290,550	\$ 381,099
Benefits allocation	60,688	194,731	255,419
Utilities	8,614	27,641	36,255
Maintenance and supplies	4,869	15,623	20,492
Computers, copiers and printers	1,496	4,799	6,295
Third party systems support	8,197	26,301	34,498
Professional services	386	1,239	1,625
Postage	13,884	44,551	58,435
Depreciation	8,828	28,325	37,153
Other	1,514	4,855	6,369
	<u>199,025</u>	<u>638,615</u>	<u>837,640</u>
<b>General and administrative</b>			
Wages	118,162	359,647	477,809
Benefits allocation	79,194	241,042	320,236
Maintenance and supplies	2,212	6,732	8,944
Computers, copiers and printers	2,058	6,263	8,321
Third party systems support	1,498	4,561	6,059
Engineering	3,150	12,462	15,612
Building and liability insurance	77,249	235,120	312,369
Legal services	35,923	109,337	145,260
Professional services	2,109	6,422	8,531
Depreciation	5,964	18,154	24,118
Other	7,168	20,680	27,848
Bad debt expense	2,269	10,906	13,175
Fleet allocation	8,117	24,704	32,821
Maintenance allocation	4,443	13,522	17,965
Human resource allocation	135,978	441,419	577,397
Accounting allocation	105,758	321,890	427,648
	<u>591,252</u>	<u>1,832,861</u>	<u>2,424,113</u>
<b>Fleet</b>			
Wages	38,871	126,677	165,548
Benefits allocation	26,052	84,901	110,953
Utilities	1,132	3,691	4,823
Radio maintenance	1,069	3,482	4,551
Maintenance parts and supplies	22,876	74,551	97,427
Computers, copiers and printers	99	324	423
Third party systems support	1,867	6,084	7,951
Professional services	890	2,902	3,792
Gas, oil and grease	26,197	85,376	111,573
Insurance	16,436	53,563	69,999
Depreciation	56,613	184,501	241,114
Other	(687)	(2,235)	(2,922)
Allocated to various departments	(191,415)	(623,817)	(815,232)
	<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, 2007**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Human resources</b>			
Wages	\$ 61,813	\$ 200,664	\$ 262,477
Benefits allocation	41,428	134,488	175,916
Safety program	2,116	6,871	8,987
Legal services	4,208	13,660	17,868
Physicals	3,747	12,166	15,913
Office supplies	1,027	3,333	4,360
Computers, copiers and printers	1,071	3,478	4,549
Third party systems support	3,301	10,715	14,016
Professional services	3,388	10,997	14,385
Depreciation	6,740	21,880	28,620
Other	7,139	23,167	30,306
Allocated to general and administrative	<u>(135,978)</u>	<u>(441,419)</u>	<u>(577,397)</u>
	-	-	-
<b>Benefits and payroll taxes</b>			
Health insurance	789,858	2,564,105	3,353,963
Life insurance	3,744	12,154	15,898
Disability insurance	14,147	45,925	60,072
Social security	141,988	460,933	602,921
Workers compensation	12,537	40,697	53,234
Pension contribution	277,422	900,589	1,178,011
Uniforms	3,791	12,307	16,098
Allocated to various departments	<u>(1,243,487)</u>	<u>(4,036,710)</u>	<u>(5,280,197)</u>
	-	-	-
<b>Maintenance</b>			
Wages	362,011	1,124,077	1,486,088
Benefits allocation	242,626	753,375	996,001
Maintenance and supplies	(7,637)	(23,717)	(31,354)
Computers, copiers and printers	1,955	6,070	8,025
Third party systems support	2,294	7,125	9,419
Depreciation	2,380	7,389	9,769
Other	7,302	22,676	29,978
Allocated to various departments	<u>(610,931)</u>	<u>(1,896,995)</u>	<u>(2,507,926)</u>
	-	-	-

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Concluded)**  
**City and Township Allocation**  
**For the Year Ended August 31, 2007**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Laboratory</b>			
Wages	\$ 83,298	\$ 253,532	\$ 336,830
Benefits allocation	55,828	169,921	225,749
Maintenance and supplies	5,396	16,425	21,821
Computers, copiers and printers	130	397	527
Third party systems support	260	790	1,050
Professional services	2,442	7,431	9,873
Depreciation	4,840	14,733	19,573
Other	1,152	3,505	4,657
Allocated to wastewater treatment	<u>(153,346)</u>	<u>(466,734)</u>	<u>(620,080)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Accounting</b>			
Wages	43,363	131,981	175,344
Benefits allocation	29,062	88,457	117,519
Office supplies	339	1,030	1,369
Computers, copiers and printers	1,719	5,232	6,951
Third party systems support	1,244	3,785	5,029
Professional services	18,290	55,669	73,959
Depreciation	2,400	7,307	9,707
Other	9,341	28,429	37,770
Allocated to general and administrative	<u>(105,758)</u>	<u>(321,890)</u>	<u>(427,648)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total operating expenses</b>	<u>\$ 8,525,182</u>	<u>\$ 28,738,388</u>	<u>\$ 37,263,570</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2007**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Water distribution</b>			
Wages	\$ 395,570	\$ -	\$ 395,570
Benefits allocation	265,118	-	265,118
Purchased water	6,408,171	-	6,408,171
Utilities	200,521	-	200,521
Maintenance and supplies	17,155	-	17,155
Computers, copiers and printers	1,471	-	1,471
Third party systems support	20,083	-	20,083
Engineering	5,500	-	5,500
Depreciation	31,414	-	31,414
Other	29,734	-	29,734
Fleet allocation	19,711	-	19,711
Maintenance allocation	91,728	-	91,728
	<u>7,486,176</u>	<u>-</u>	<u>7,486,176</u>
<b>Wastewater treatment</b>			
Wages	-	1,652,625	1,652,625
Benefits allocation	-	1,107,617	1,107,617
Utilities	-	2,552,611	2,552,611
Sludge removal	-	59,673	59,673
Maintenance and supplies	-	497,339	497,339
Computers, copiers and printers	-	12,586	12,586
Third party systems support	-	179,669	179,669
Professional services	-	19,083	19,083
Engineering	-	24,848	24,848
Laboratory	-	6,467	6,467
Chemicals	-	831,580	831,580
Depreciation	-	6,663,355	6,663,355
Other	-	70,170	70,170
Fleet allocation	-	315,360	315,360
Maintenance allocation	-	2,364,522	2,364,522
Laboratory allocation	-	620,080	620,080
	<u>-</u>	<u>16,977,585</u>	<u>16,977,585</u>
<b>Wastewater pump stations</b>			
Wages	-	219,049	219,049
Benefits allocation	-	146,810	146,810
Utilities	-	496,069	496,069
Maintenance and supplies	-	123,097	123,097
Third party systems support	-	59,525	59,525
Professional services	-	2,050	2,050
Depreciation	-	5,044	5,044
Other	-	2,869	2,869
	<u>-</u>	<u>1,054,513</u>	<u>1,054,513</u>

Continued...



**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Continued)**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2007**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Industrial surveillance</b>			
Wages	\$ -	\$ 181,526	\$ 181,526
Benefits allocation	-	121,662	121,662
Maintenance and supplies	-	8,199	8,199
Computers, copiers and printers	-	1,440	1,440
Third party systems support	-	813	813
Professional services	-	4,511	4,511
Depreciation	-	1,697	1,697
Other	-	2,338	2,338
Fleet allocation	-	13,113	13,113
	<u>-</u>	<u>335,299</u>	<u>335,299</u>
<b>Transmission and distribution</b>			
Wages	718,982	909,515	1,628,497
Benefits allocation	475,729	615,715	1,091,444
Utilities	19,014	24,050	43,064
Sewer overflow settlements	38,445	48,670	87,115
Maintenance:			
Shop and office	14,899	18,844	33,743
Water and sewer mains	169,973	214,581	384,554
Computers, copiers and printers	3,443	4,355	7,798
Third party systems support	1,482	1,874	3,356
Professional services	14	18	32
Depreciation	1,949,239	1,004,746	2,953,985
Other	9,563	11,887	21,450
Fleet allocation	173,166	168,320	341,486
Maintenance allocation	6,878	26,833	33,711
	<u>3,580,827</u>	<u>3,049,408</u>	<u>6,630,235</u>
<b>Meter service</b>			
Wages	257,941	257,942	515,883
Benefits allocation	172,877	172,876	345,753
Utilities	11,310	11,308	22,618
Maintenance and supplies	1,973	1,971	3,944
Computers, copiers and printers	647	648	1,295
Third party systems support	2,438	2,439	4,877
Meter parts	109,109	109,110	218,219
Depreciation	151,829	151,829	303,658
Other	4,511	4,510	9,021
Fleet allocation	46,371	46,370	92,741
	<u>759,006</u>	<u>759,003</u>	<u>1,518,009</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Continued)**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2007**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Customer accounting and collections</b>			
Wages	\$ 190,550	\$ 190,549	\$ 381,099
Benefits allocation	127,709	127,710	255,419
Utilities	18,128	18,127	36,255
Maintenance and supplies	10,246	10,246	20,492
Computers, copiers and printers	3,148	3,147	6,295
Third party systems support	17,249	17,249	34,498
Professional services	813	812	1,625
Postage	29,218	29,217	58,435
Depreciation	18,577	18,576	37,153
Other	3,185	3,184	6,369
	<u>418,823</u>	<u>418,817</u>	<u>837,640</u>
<b>General and administrative</b>			
Wages	238,905	238,904	477,809
Benefits allocation	160,118	160,118	320,236
Maintenance and supplies	4,472	4,472	8,944
Computers, copiers and printers	4,161	4,160	8,321
Third party systems support	3,029	3,030	6,059
Engineering	7,806	7,806	15,612
Building and liability insurance	156,184	156,185	312,369
Legal services	72,630	72,630	145,260
Professional services	4,265	4,266	8,531
Depreciation	12,059	12,059	24,118
Other	13,923	13,925	27,848
Bad debt expense	6,587	6,588	13,175
Fleet allocation	16,411	16,410	32,821
Maintenance allocation	8,983	8,982	17,965
Human resource allocation	151,334	426,063	577,397
Accounting allocation	213,823	213,825	427,648
	<u>1,074,690</u>	<u>1,349,423</u>	<u>2,424,113</u>
<b>Fleet</b>			
Wages	51,916	113,632	165,548
Benefits allocation	34,795	76,158	110,953
Utilities	1,513	3,310	4,823
Radio maintenance	1,427	3,124	4,551
Maintenance parts and supplies	30,554	66,873	97,427
Computers, copiers and printers	133	290	423
Third party systems support	2,493	5,458	7,951
Professional services	1,189	2,603	3,792
Gas, oil and grease	34,989	76,584	111,573
Insurance	21,952	48,047	69,999
Depreciation	75,614	165,500	241,114
Other	(916)	(2,006)	(2,922)
Allocated to various departments	<u>(255,659)</u>	<u>(559,573)</u>	<u>(815,232)</u>
	-	-	-
			Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Continued)**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2007**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Human resources</b>			
Wages	\$ 68,795	\$ 193,682	\$ 262,477
Benefits allocation	46,108	129,808	175,916
Safety program	2,356	6,631	8,987
Legal services	4,683	13,185	17,868
Physicals	4,171	11,742	15,913
Office supplies	1,142	3,218	4,360
Computers, copiers and printers	1,192	3,357	4,549
Third party systems support	3,673	10,343	14,016
Professional services	3,770	10,615	14,385
Depreciation	7,501	21,119	28,620
Other	7,943	22,363	30,306
Allocated to general and administrative	(151,334)	(426,063)	(577,397)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Benefits and payroll taxes</b>			
Health insurance	879,074	2,474,889	3,353,963
Life insurance	4,167	11,731	15,898
Disability insurance	15,745	44,327	60,072
Social security	158,026	444,895	602,921
Workers compensation	13,953	39,281	53,234
Pension contribution	308,757	869,254	1,178,011
Uniforms	4,219	11,879	16,098
Allocated to various departments	(1,383,941)	(3,896,256)	(5,280,197)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Maintenance</b>			
Wages	63,753	1,422,335	1,486,088
Benefits allocation	42,728	953,273	996,001
Maintenance and supplies	(1,344)	(30,010)	(31,354)
Computers, copiers and printers	344	7,681	8,025
Third party systems support	404	9,015	9,419
Depreciation	419	9,350	9,769
Other	1,285	28,693	29,978
Allocated to various departments	(107,589)	(2,400,337)	(2,507,926)
	<u>-</u>	<u>-</u>	<u>-</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Concluded)**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2007**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Laboratory</b>			
Wages	\$ -	\$ 336,830	\$ 336,830
Benefits allocation	-	225,749	225,749
Maintenance and supplies	-	21,821	21,821
Computers, copiers and printers	-	527	527
Third party systems support	-	1,050	1,050
Professional services	-	9,873	9,873
Depreciation	-	19,573	19,573
Other	-	4,657	4,657
Allocated to wastewater treatment	-	(620,080)	(620,080)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Accounting</b>			
Wages	87,672	87,672	175,344
Benefits allocation	58,759	58,760	117,519
Office supplies	685	684	1,369
Computers, copiers and printers	3,475	3,476	6,951
Third party systems support	2,514	2,515	5,029
Professional services	36,980	36,979	73,959
Depreciation	4,853	4,854	9,707
Other	18,885	18,885	37,770
Allocated to general and administrative	(213,823)	(213,825)	(427,648)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total operating expenses</b>	<u>\$ 13,319,522</u>	<u>\$ 23,944,048</u>	<u>\$ 37,263,570</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses -**  
**Budget and Actual**  
**For the Year Ended August 31, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Water distribution</b>				
Wages	\$ 402,273	\$ 402,273	\$ 395,570	\$ (6,703)
Benefits allocation	274,213	274,213	265,118	(9,095)
Purchased water	6,367,436	6,367,436	6,408,171	40,735
Utilities	227,450	227,450	200,521	(26,929)
Maintenance and supplies	24,550	24,550	17,155	(7,395)
Computers, copiers and printers	2,000	2,000	1,471	(529)
Third party systems support	15,500	15,500	20,083	4,583
Engineering	23,250	23,250	5,500	(17,750)
Depreciation	378,592	378,592	31,414	(347,178)
Other	38,600	38,600	29,734	(8,866)
Fleet allocation	14,938	14,938	19,711	4,773
Maintenance allocation	128,221	128,221	91,728	(36,493)
	<u>7,897,023</u>	<u>7,897,023</u>	<u>7,486,176</u>	<u>(410,847)</u>
<b>Wastewater treatment</b>				
Wages	1,766,493	1,766,493	1,652,625	(113,868)
Benefits allocation	1,204,146	1,204,146	1,107,617	(96,529)
Utilities	2,263,050	2,263,050	2,552,611	289,561
Sludge removal	297,000	297,000	59,673	(237,327)
Maintenance and supplies	463,250	463,250	497,339	34,089
Computers, copiers and printers	15,000	15,000	12,586	(2,414)
Third party systems support	362,500	362,500	179,669	(182,831)
Professional services	-	-	19,083	19,083
Engineering	50,000	50,000	24,848	(25,152)
Laboratory	3,000	3,000	6,467	3,467
Chemicals	800,000	800,000	831,580	31,580
Depreciation	6,980,479	6,980,479	6,663,355	(317,124)
Other	130,300	130,300	70,170	(60,130)
Fleet allocation	238,932	238,932	315,360	76,428
Maintenance allocation	2,397,271	2,397,271	2,364,522	(32,749)
Laboratory allocation	614,614	614,614	620,080	5,466
	<u>17,586,035</u>	<u>17,586,035</u>	<u>16,977,585</u>	<u>(608,450)</u>
<b>Wastewater pump stations</b>				
Wages	321,069	321,069	219,049	(102,020)
Benefits allocation	218,860	218,860	146,810	(72,050)
Utilities	463,733	463,733	496,069	32,336
Maintenance and supplies	84,500	84,500	123,097	38,597
Third party systems support	67,500	67,500	59,525	(7,975)
Professional services	-	-	2,050	2,050
Engineering	30,750	30,750	-	(30,750)
Depreciation	58,520	58,520	5,044	(53,476)
Other	3,000	3,000	2,869	(131)
	<u>1,247,932</u>	<u>1,247,932</u>	<u>1,054,513</u>	<u>(193,419)</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses - (Continued)**  
**Budget and Actual**  
**For the Year Ended August 31, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Industrial surveillance</b>				
Wages	\$ 172,404	\$ 172,404	\$ 181,526	\$ 9,122
Benefits allocation	117,520	117,520	121,662	4,142
Maintenance and supplies	14,900	14,900	8,199	(6,701)
Computers, copiers and printers	5,000	5,000	1,440	(3,560)
Third party systems support	3,000	3,000	813	(2,187)
Professional services	18,000	18,000	4,511	(13,489)
Depreciation	5,975	5,975	1,697	(4,278)
Other	5,750	5,750	2,338	(3,412)
Fleet allocation	9,938	9,938	13,113	3,175
	<u>352,487</u>	<u>352,487</u>	<u>335,299</u>	<u>(17,188)</u>
<b>Transmission and distribution</b>				
Wages	1,775,312	1,775,312	1,628,497	(146,815)
Benefits allocation	1,210,158	1,210,158	1,091,444	(118,714)
Utilities	73,600	73,600	43,064	(30,536)
Sewer overflow settlements	205,000	205,000	87,115	(117,885)
Maintenance:				
Shop and office	37,875	37,875	33,743	(4,132)
Water and sewer mains	282,500	282,500	384,554	102,054
Computers, copiers and printers	10,000	10,000	7,798	(2,202)
Third party systems support	40,500	40,500	3,356	(37,144)
Professional services	-	-	32	32
Engineering	167,500	167,500	-	(167,500)
Depreciation	2,984,373	2,984,373	2,953,985	(30,388)
Other	32,100	32,100	21,450	(10,650)
Fleet allocation	258,868	258,868	341,486	82,618
Maintenance allocation	68,915	68,915	33,711	(35,204)
	<u>7,146,701</u>	<u>7,146,701</u>	<u>6,630,235</u>	<u>(516,466)</u>
<b>Meter service</b>				
Wages	481,545	481,545	515,883	34,338
Benefits allocation	328,250	328,250	345,753	17,503
Utilities	24,500	24,500	22,618	(1,882)
Maintenance and supplies	6,875	6,875	3,944	(2,931)
Computers, copiers and printers	4,500	4,500	1,295	(3,205)
Third party systems support	3,000	3,000	4,877	1,877
Professional services	1,000	1,000	-	(1,000)
Meter parts	213,000	213,000	218,219	5,219
Depreciation	306,741	306,741	303,658	(3,083)
Other	15,325	15,325	9,021	(6,304)
Fleet allocation	70,285	70,285	92,741	22,456
	<u>1,455,021</u>	<u>1,455,021</u>	<u>1,518,009</u>	<u>62,988</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses - (Continued)**  
**Budget and Actual**  
**For the Year Ended August 31, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Customer accounting/collections</b>				
Wages	\$ 396,113	\$ 396,113	\$ 381,099	\$ (15,014)
Benefits allocation	270,014	270,014	255,419	(14,595)
Utilities	33,000	33,000	36,255	3,255
Maintenance and supplies	23,150	23,150	20,492	(2,658)
Computers, copiers and printers	7,000	7,000	6,295	(705)
Third party systems support	28,500	28,500	34,498	5,998
Professional services	-	-	1,625	1,625
Postage	58,700	58,700	58,435	(265)
Depreciation	33,300	33,300	37,153	3,853
Other	9,935	9,935	6,369	(3,566)
	<u>859,712</u>	<u>859,712</u>	<u>837,640</u>	<u>(22,072)</u>
<b>General and administrative</b>				
Wages	473,992	473,992	477,809	3,817
Benefits allocation	323,101	323,101	320,236	(2,865)
Maintenance and supplies	12,500	12,500	8,944	(3,556)
Computers, copiers and printers	9,370	9,370	8,321	(1,049)
Third party systems support	13,000	13,000	6,059	(6,941)
Engineering	28,500	28,500	15,612	(12,888)
Building and liability insurance	525,000	525,000	312,369	(212,631)
Legal services	136,300	136,300	145,260	8,960
Professional services	1,000	1,000	8,531	7,531
Depreciation	18,596	18,596	24,118	5,522
Other	56,950	56,950	27,848	(29,102)
Bad debt expense	4,500	4,500	13,175	8,675
Fleet allocation	24,874	24,874	32,821	7,947
Maintenance allocation	32,534	32,534	17,965	(14,569)
Human resource allocation	603,129	603,129	577,397	(25,732)
Accounting allocation	486,067	486,067	427,648	(58,419)
	<u>2,749,413</u>	<u>2,749,413</u>	<u>2,424,113</u>	<u>(325,300)</u>
<b>Fleet</b>				
Wages	163,698	163,698	165,548	1,850
Benefits allocation	111,586	111,586	110,953	(633)
Utilities	-	-	4,823	4,823
Radio maintenance	4,250	4,250	4,551	301
Maintenance parts and supplies	101,650	101,650	97,427	(4,223)
Computers, copiers and printers	1,000	1,000	423	(577)
Third party systems support	5,000	5,000	7,951	2,951
Professional services	12,500	12,500	3,792	(8,708)
Gas, oil and grease	145,000	145,000	111,573	(33,427)
Insurance	70,000	70,000	69,999	(1)
Depreciation	267,639	267,639	241,114	(26,525)
Other	3,150	3,150	(2,922)	(6,072)
Allocated to various departments	(885,473)	(885,473)	(815,232)	70,241
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses - (Continued)**  
**Budget and Actual**  
**For the Year Ended August 31, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Human resources</b>				
Wages	\$ 250,608	\$ 254,498	\$ 262,477	\$ 7,979
Benefits allocation	170,829	166,939	175,916	8,977
Safety program	10,000	10,000	8,987	(1,013)
Legal services	25,000	25,000	17,868	(7,132)
Physicals	16,800	16,800	15,913	(887)
Office supplies	6,750	6,750	4,360	(2,390)
Computers, copiers and printers	4,500	4,500	4,549	49
Third party systems support	9,250	9,250	14,016	4,766
Professional services	10,000	10,000	14,385	4,385
Depreciation	26,592	26,592	28,620	2,028
Other	72,800	72,800	30,306	(42,494)
Allocated to general and administrative	(603,129)	(603,129)	(577,397)	25,732
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Benefits and payroll taxes</b>				
Health insurance	3,698,979	3,698,979	3,353,963	(345,016)
Life insurance	19,900	19,900	15,898	(4,002)
Disability insurance	84,500	84,500	60,072	(24,428)
Social security	674,500	674,500	602,921	(71,579)
Workers compensation	103,334	103,334	53,234	(50,100)
Pension contribution	968,771	968,771	1,178,011	209,240
Unemployment	8,600	8,600	-	(8,600)
Uniforms	19,000	19,000	16,098	(2,902)
Allocated to various departments	(5,577,584)	(5,577,584)	(5,280,197)	297,387
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Maintenance</b>				
Wages	1,472,614	1,472,614	1,486,088	13,474
Benefits allocation	1,003,821	1,003,821	996,001	(7,820)
Maintenance and supplies	52,750	52,750	(31,354)	(84,104)
Computers, copiers and printers	20,000	20,000	8,025	(11,975)
Third party systems support	-	-	9,419	9,419
Depreciation	9,756	9,756	9,769	13
Other	68,000	68,000	29,978	(38,022)
Allocated to various departments	(2,626,941)	(2,626,941)	(2,507,926)	119,015
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Continued...



**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses - (Concluded)**  
**Budget and Actual**  
**For the Year Ended August 31, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Laboratory</b>				
Wages	\$ 325,743	\$ 325,743	\$ 336,830	\$ 11,087
Benefits allocation	222,045	222,045	225,749	3,704
Maintenance and supplies	26,000	26,000	21,821	(4,179)
Computers, copiers and printers	5,000	5,000	527	(4,473)
Third party systems support	3,000	3,000	1,050	(1,950)
Professional services	10,000	10,000	9,873	(127)
Depreciation	17,076	17,076	19,573	2,497
Other	5,750	5,750	4,657	(1,093)
Allocated to wastewater treatment	(614,614)	(614,614)	(620,080)	(5,466)
	-	-	-	-
<b>Accounting</b>				
Wages	180,501	180,501	175,344	(5,157)
Benefits allocation	123,040	123,040	117,519	(5,521)
Office supplies	3,550	3,550	1,369	(2,181)
Computers, copiers and printers	5,000	5,000	6,951	1,951
Third party systems support	-	-	5,029	5,029
Professional services	127,000	127,000	73,959	(53,041)
Depreciation	9,701	9,701	9,707	6
Other	37,275	37,275	37,770	495
Allocated to general and administrative	(486,067)	(486,067)	(427,648)	58,419
	-	-	-	-
<b>Total operating expenses</b>	<b>\$ 39,294,324</b>	<b>\$ 39,294,324</b>	<b>\$ 37,263,570</b>	<b>\$ (2,030,754)</b>

# STATISTICAL SECTION

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

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Operating revenue</b>				
Water sales	\$ 12,680,932	\$ 11,542,307	\$ 11,649,244	\$ 9,763,879
Sewage disposal sales	16,480,689	13,621,058	13,701,463	14,274,813
Surcharges and other usage fees	4,195,911	4,422,394	4,460,475	3,649,946
Other operating revenue	2,500,151	2,217,203	2,159,409	2,408,713
Sales discounts	-	-	-	(80,105)
Total operating revenue	<u>35,857,683</u>	<u>31,802,962</u>	<u>31,970,591</u>	<u>30,017,246</u>
<b>Operating expenses</b>				
Water distribution	7,486,176	7,085,751	6,930,845	5,873,120
Wastewater treatment	16,977,585	13,052,424	10,226,090	10,062,008
Wastewater pump stations	1,054,513	883,122	834,416	771,991
Industrial surveillance	335,299	335,131	375,466	174,773
Transmission and distribution	6,630,235	6,105,316	5,766,919	4,938,907
Meter service	1,518,009	1,513,485	1,419,979	1,147,385
Customer accounting and collections	837,640	791,665	720,370	680,264
General and administration	(1) 2,424,113	2,438,567	2,125,010	1,912,661
Depreciation	(2) -	-	-	-
Total operating expenses	<u>37,263,570</u>	<u>32,205,461</u>	<u>28,399,095</u>	<u>25,561,109</u>
Operating income (loss)	<u>(1,405,887)</u>	<u>(402,499)</u>	<u>3,571,496</u>	<u>4,456,137</u>
<b>Non-operating income (expense)</b>				
Investment earnings	1,595,219	958,973	651,753	1,181,681
Connection fees	(3) 265,589	909,761	975,348	2,145,105
Debt service contributions	63,007	146,476	1,004,525	206,509
Interest and amortization expense	(2,747,453)	(1,109,703)	(951,745)	(1,220,577)
Gain (loss) on disposal of capital assets	19,852	-	(75,287)	(1,969,458)
Debt service transfer to County	(4) -	-	-	-
Total non-operating income (expense)	<u>(803,786)</u>	<u>905,507</u>	<u>1,604,594</u>	<u>343,260</u>
<b>Income (loss) before contributions and special item</b>	<u>\$ (2,209,673)</u>	<u>\$ 503,008</u>	<u>\$ 5,176,090</u>	<u>\$ 4,799,397</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**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
\$	8,616,377	\$ 8,039,879	\$ 7,910,860	\$ 7,456,993	\$ 7,024,206	\$ 6,787,909
	13,235,087	12,908,599	13,793,007	13,392,790	12,107,280	12,133,249
	2,503,637	1,891,240	1,728,426	1,748,046	1,730,655	1,632,408
	2,248,813	2,380,576	2,293,530	977,080	1,041,594	1,164,952
	(705,985)	(866,723)	(1,098,363)	(1,006,785)	(1,020,273)	(978,899)
	<u>25,897,929</u>	<u>24,353,571</u>	<u>24,627,460</u>	<u>22,568,124</u>	<u>20,883,462</u>	<u>20,739,619</u>
	5,282,942	4,894,966	4,288,716	3,988,979	3,923,990	3,578,449
	10,882,313	9,085,357	8,989,004	6,934,835	6,015,882	6,307,108
	805,890	928,166	822,901	836,632	799,666	862,732
	146,967	118,270	87,466	75,711	74,010	69,642
	5,049,571	3,665,838	3,616,432	2,064,652	2,232,299	1,750,828
	1,121,564	845,806	979,284	907,026	815,483	840,605
	651,361	523,708	453,677	445,768	368,651	366,087
	1,832,080	4,269,158	4,038,730	3,469,454	3,044,439	2,935,376
	-	-	-	3,861,969	3,652,293	3,442,560
	<u>25,772,688</u>	<u>24,331,269</u>	<u>23,276,210</u>	<u>22,585,026</u>	<u>20,926,713</u>	<u>20,153,387</u>
	125,241	22,302	1,351,250	(16,902)	(43,251)	586,232
	21,493	1,034,719	1,231,283	718,175	600,279	725,675
	1,066,491	-	-	-	-	-
	211,511	920,478	220,957	269,970	253,615	689,353
	(1,023,113)	(1,709,110)	(1,054,325)	(766,721)	(622,178)	(678,995)
	(2,833)	(66,461)	(465,007)	(32,884)	18,041	11,801
	-	(1,214,715)	(1,218,710)	(1,226,413)	(1,214,461)	(1,203,847)
	<u>273,549</u>	<u>(1,035,089)</u>	<u>(1,285,802)</u>	<u>(1,037,873)</u>	<u>(964,704)</u>	<u>(456,013)</u>
\$	<u>398,790</u>	\$ <u>(1,012,787)</u>	\$ <u>65,448</u>	\$ <u>(1,054,775)</u>	\$ <u>(1,007,955)</u>	\$ <u>130,219</u>

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

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Operating revenue</b>				
Water sales	\$ 1,874,679	\$ 1,514,474	\$ 1,813,223	\$ 1,898,864
Sewage disposal sales	3,311,569	2,983,581	2,899,389	3,057,411
Surcharges and other usage fees	3,154,752	3,249,101	3,341,073	2,609,737
Other operating revenue	998,639	484,405	475,132	433,067
Sales discounts	-	-	-	2,336
Total operating revenue	<u>9,339,639</u>	<u>8,231,561</u>	<u>8,528,817</u>	<u>8,001,415</u>
<b>Operating expenses</b>				
Water distribution	1,047,563	1,035,327	985,830	939,023
Wastewater treatment	4,199,045	3,016,898	2,280,419	2,253,203
Wastewater pump stations	232,488	170,871	174,512	167,913
Industrial surveillance	82,920	77,884	83,730	38,824
Transmission and distribution	1,811,269	1,245,754	1,174,276	1,104,675
Meter service	361,620	362,019	334,123	284,106
Customer accounting and collections	199,025	189,367	169,503	169,654
General and administration	(1) 591,252	554,375	460,812	402,537
Depreciation	(2) -	-	-	-
Total operating expenses	<u>8,525,182</u>	<u>6,652,495</u>	<u>5,663,205</u>	<u>5,359,935</u>
Operating income (loss)	<u>814,457</u>	<u>1,579,066</u>	<u>2,865,612</u>	<u>2,641,480</u>
<b>Non-operating income (expense)</b>				
Investment earnings	704,584	347,237	219,724	285,942
Connection fees	(3) 10,455	61,780	102,504	26,102
Debt service contributions	63,007	146,476	149,273	169,161
Interest and amortization expense	(1,238,663)	(711,028)	(405,501)	(610,808)
Gain (loss) on disposal of capital assets	-	-	-	(550,816)
Debt service transfer to County	(4) -	-	-	-
Total non-operating income (expense)	<u>(460,617)</u>	<u>(155,535)</u>	<u>66,000</u>	<u>(680,419)</u>
<b>Income (loss) before contributions and special item</b>	<u>\$ 353,840</u>	<u>\$ 1,423,531</u>	<u>\$ 2,931,612</u>	<u>\$ 1,961,061</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**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
\$	1,875,979	\$ 1,844,292	\$ 1,796,994	\$ 1,759,201	\$ 1,694,459	\$ 1,664,645
	3,155,582	3,155,163	3,294,403	3,368,627	3,030,469	3,087,082
	1,777,612	1,362,058	1,035,565	916,656	890,329	889,841
	380,495	463,168	479,546	203,254	206,987	275,640
	(126,303)	(153,336)	(155,773)	(134,272)	(145,607)	(151,520)
	<u>7,063,365</u>	<u>6,671,345</u>	<u>6,450,735</u>	<u>6,113,466</u>	<u>5,676,637</u>	<u>5,765,688</u>
	926,213	898,123	834,882	794,632	793,275	690,779
	2,510,603	2,258,154	2,397,946	1,851,516	1,535,176	1,668,487
	160,684	215,444	221,327	224,686	203,659	228,227
	33,173	28,844	22,627	20,333	18,849	18,423
	1,416,512	843,346	899,403	652,277	786,806	611,780
	284,344	218,046	259,904	252,586	235,709	276,881
	167,210	138,154	122,494	124,458	106,613	108,801
	440,901	1,111,971	1,129,497	983,280	819,641	819,187
	-	-	-	863,522	1,022,202	981,386
	<u>5,939,640</u>	<u>5,712,082</u>	<u>5,888,080</u>	<u>5,767,290</u>	<u>5,521,930</u>	<u>5,403,951</u>
	<u>1,123,725</u>	<u>959,263</u>	<u>562,655</u>	<u>346,176</u>	<u>154,707</u>	<u>361,737</u>
	(12,884)	92,213	256,390	235,048	214,676	267,652
	11,406	-	-	-	-	-
	211,511	236,052	220,957	239,104	224,104	223,987
	(496,504)	(722,772)	(394,423)	(413,162)	(398,460)	(433,950)
	(1,416)	(16,660)	(125,087)	(7,951)	(3,777)	(1,383)
	-	(331,253)	(312,721)	(334,933)	(330,091)	(319,742)
	<u>(287,887)</u>	<u>(742,420)</u>	<u>(354,884)</u>	<u>(281,894)</u>	<u>(293,548)</u>	<u>(263,436)</u>
\$	<u>835,838</u>	\$ <u>216,843</u>	\$ <u>207,771</u>	\$ <u>64,282</u>	\$ <u>(138,841)</u>	\$ <u>98,301</u>

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

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Operating revenue</b>				
Water sales	\$ 10,806,253	\$ 10,027,833	\$ 9,836,021	\$ 7,865,015
Sewage disposal sales	13,169,120	10,637,477	10,802,074	11,217,402
Surcharges and other usage fees	1,041,159	1,173,293	1,119,402	1,040,209
Other operating revenue	1,501,512	1,732,798	1,684,277	1,975,646
Sales discounts	-	-	-	(82,441)
Total operating revenue	<u>26,518,044</u>	<u>23,571,401</u>	<u>23,441,774</u>	<u>22,015,831</u>
<b>Operating expenses</b>				
Water distribution	6,438,613	6,050,424	5,945,015	4,929,893
Wastewater treatment	12,778,540	10,035,526	7,945,671	7,825,218
Wastewater pump stations	822,025	712,251	659,904	604,078
Industrial surveillance	252,379	257,247	291,736	135,949
Transmission and distribution	4,818,966	4,859,562	4,592,643	3,826,206
Meter service	1,156,389	1,151,466	1,085,856	863,279
Customer accounting and collections	638,615	602,298	550,867	510,610
General and administration	(1) 1,832,861	1,884,192	1,664,198	1,505,941
Depreciation	(2) -	-	-	-
Total operating expenses	<u>28,738,388</u>	<u>25,552,966</u>	<u>22,735,890</u>	<u>20,201,174</u>
Operating income (loss)	<u>(2,220,344)</u>	<u>(1,981,565)</u>	<u>705,884</u>	<u>1,814,657</u>
<b>Non-operating income (expense)</b>				
Investment earnings	890,635	611,736	432,029	895,739
Connection fees	(3) 255,134	847,981	872,844	2,119,003
Debt service contributions	-	-	855,252	37,348
Interest and amortization expense	(1,508,790)	(398,675)	(546,244)	(609,769)
Gain (loss) on disposal of capital assets	19,852	-	(75,287)	(1,418,642)
Debt service transfer to County	(4) -	-	-	-
Total non-operating income (expense)	<u>(343,169)</u>	<u>1,061,042</u>	<u>1,538,594</u>	<u>1,023,679</u>
<b>Income (loss) before contributions and special item</b>	<u>\$ (2,563,513)</u>	<u>\$ (920,523)</u>	<u>\$ 2,244,478</u>	<u>\$ 2,838,336</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**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
\$	6,740,398	\$ 6,195,587	\$ 6,113,866	\$ 5,697,792	\$ 5,329,747	\$ 5,123,264
	10,079,505	9,753,436	10,498,604	10,024,163	9,076,811	9,046,167
	726,025	529,182	692,861	831,390	840,326	742,567
	1,868,318	1,917,408	1,813,984	773,826	834,607	889,312
	(579,682)	(713,387)	(942,590)	(872,513)	(874,666)	(827,379)
	18,834,564	17,682,226	18,176,725	16,454,658	15,206,825	14,973,931
	4,356,729	3,996,843	3,453,834	3,194,347	3,130,715	2,887,670
	8,371,710	6,827,203	6,591,058	5,083,319	4,480,706	4,638,621
	645,206	712,722	601,574	611,946	596,007	634,505
	113,794	89,426	64,839	55,378	55,161	51,219
	3,633,059	2,822,492	2,717,029	1,412,375	1,445,493	1,139,048
	837,220	627,760	719,380	654,440	579,774	563,724
	484,151	385,554	331,183	321,310	262,038	257,286
	1,391,179	3,157,187	2,909,233	2,486,174	2,224,798	2,116,189
	-	-	-	2,998,447	2,630,091	2,461,174
	19,833,048	18,619,187	17,388,130	16,817,736	15,404,783	14,749,436
	(998,484)	(936,961)	788,595	(363,078)	(197,958)	224,495
	34,377	942,506	974,893	483,127	385,603	458,023
	1,055,085	-	-	-	-	-
	-	684,426	-	30,866	29,511	465,366
	(526,609)	(986,338)	(659,902)	(353,559)	(223,718)	(245,045)
	(1,417)	(49,801)	(339,920)	(24,933)	21,818	13,184
	-	(883,462)	(905,989)	(891,480)	(884,370)	(884,105)
	561,436	(292,669)	(930,918)	(755,979)	(671,156)	(192,577)
\$	(437,048)	\$ (1,229,630)	\$ (142,323)	\$ (1,119,057)	\$ (869,114)	\$ 31,918



Table 4

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

Fiscal Year	(1) Gross Revenue	(2) Operating Expenses	Net Revenue Available for Debt Service	(3) Total Debt Service Requirement	Coverage
2007	\$37,781,498	\$26,934,363	\$ 10,847,135	\$ 5,596,598	1.94
2006	33,818,172	25,512,868	8,305,304	6,534,757	1.27
2005	34,602,217	23,178,366	11,423,851	6,108,306	1.87
2004	33,550,541	21,058,612	12,491,929	5,252,872	2.38
2003	27,197,424	21,476,377	5,721,047	4,689,848	1.22
2002	26,308,768	20,241,129	6,067,639	4,335,292	1.40
2001	26,079,700	19,245,962	6,833,738	4,187,246	1.63
2000	23,556,269	18,723,057	4,833,212	3,217,769	1.50
1999	21,737,356	17,274,420	4,462,936	2,803,390	1.59
1998	22,154,647	16,710,827	5,443,820	2,922,489	1.86

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

(2) Excludes depreciation expense.

(3) Includes bonds and capital leases.