

YPSILANTI COMMUNITY UTILITIES AUTHORITY



www.ycua.org

Years Ended
August 31, 2020
and 2019

Comprehensive
Annual Financial
Report

Rehmann

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

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INTRODUCTORY SECTION

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

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February 25, 2021

**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, 2020.

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, 2020 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that YCUA's financial statements for the fiscal year ended August 31, 2020 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

Profile of the Authority

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

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

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

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

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

Construction on the plant expansion and improvements project, which increased the YCUA wastewater facility treatment capacity by 17 MGD to 45.9 MGD, began in 2002 with completion in 2010. The expanded capacity is for the WTUA, which is presently negotiating with Wayne County and is anticipated a majority of the sewage from Northville, Plymouth and Canton Townships will be diverted to YCUA upon completion of those negotiations. The construction updated equipment, adding additional odor controls, safer disinfection equipment and a more efficient incinerator for burning sewage sludge, which replaced a multiple hearth unit. Air incineration emissions have been reduced by more than 80%. Eight MGD capacity has been leased to WTUA, which helped pay for many of these improvements. The Authority requested and was granted an updated wastewater treatment plant design capacity from the Michigan Department of Environment Quality in 2009. The new design capacity is for 51.2 MGD. Of the 51.2 MGD of total capacity, WTUA now has rights to use up to 54% of the total plant capacity.

Approximately \$10 million of improvements to the tertiary filters in the original portion of the wastewater treatment plant as well as in-kind replacement of critical components of the fluidized-bed incinerator system were underway during 2019-2020 fiscal year. Improvements to the aeration blowers installed as part of the original wastewater treatment plant construction, a parallel sanitary sewer crossing under the Huron River upstream of the Snow Road Pump Station in the Charter Township of Ypsilanti, and water system improvements along West Cross Street in the City of Ypsilanti are currently being designed for construction during fiscal year 2020-2021.

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

Pension and other postemployment benefits. The Authority participates in an agent multiple-employer plan that provides pension benefits for all full-time employees. The annual actuarial valuation for this plan shows that it is 59.79% funded as of December 31, 2019 (the date of the latest actuarial valuation). The remaining unfunded amount is being systematically funded over 20 years as part of the annual determined contribution calculated by the actuary.

The Authority also provides postemployment health care benefits to all full-time employees upon retirement hire before 2014. As of August 31, 2019, there were 70 retired employees receiving these benefits. In September 2005, the Authority adopted the Michigan Municipal Employees' Retirement System (MERS) Retiree Health Funding Vehicle to fund the obligation. The annual actuarial valuation for this plan shows that it is 104.09% funded as August 31, 2020.

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

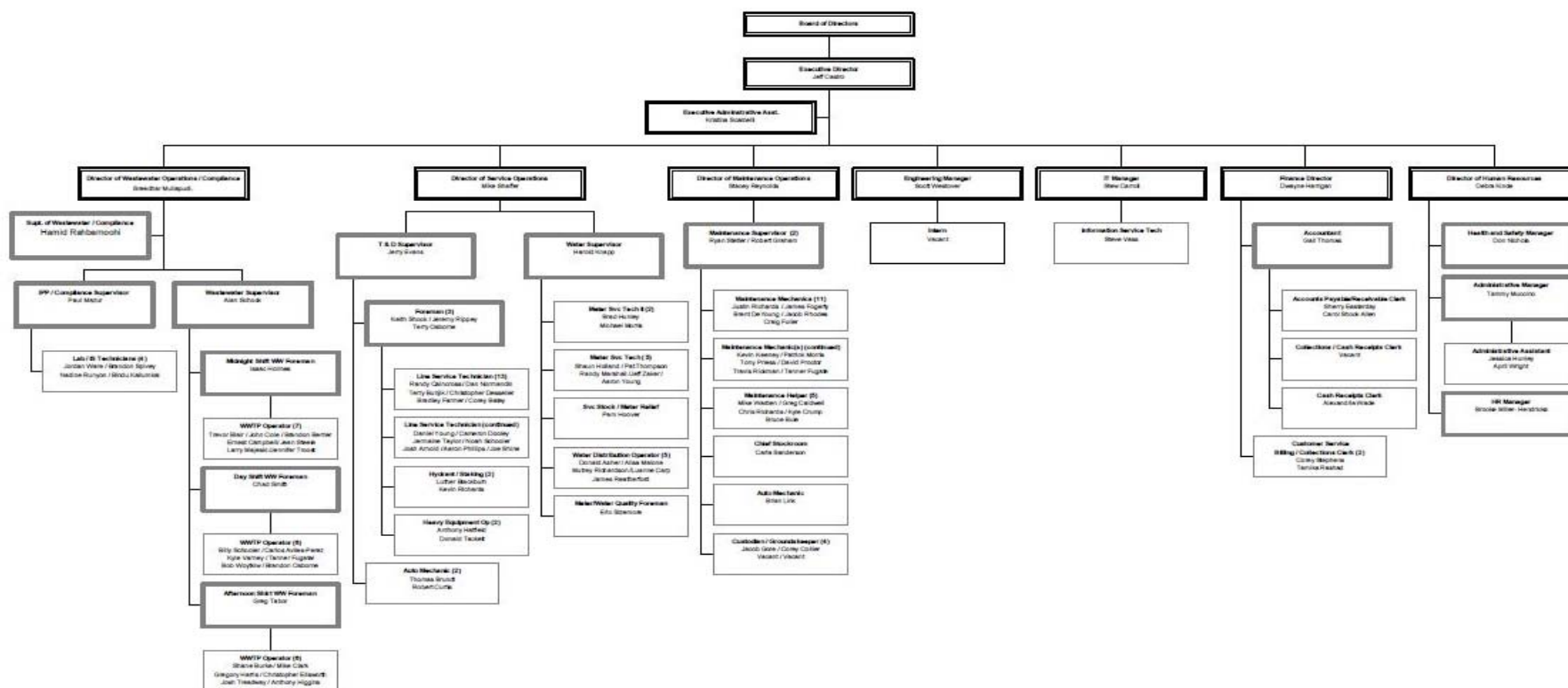
Acknowledgements

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

Jeff Castro
Executive Director

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August 2020 Organizational Chart



YPSILANTI COMMUNITY UTILITIES AUTHORITY

PRINCIPAL OFFICIALS

At August 31, 2020

Board of Commissioners

Michael Bodary, Chair
City of Ypsilanti

Jon R. Ichesco, City of Ypsilanti
Larry J. Doe, Charter Township of Ypsilanti
Keith P. Jason, Charter Township of Ypsilanti
Gloria C. Peterson, Charter Township of Ypsilanti

Executive Director

Jeff Castro

Finance Director

Dwayne Harrigan

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

February 25, 2021

Board of Commissioners
Ypsilanti Community Utilities Authority
Ypsilanti, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the **Ypsilanti Community Utilities Authority** (the "Authority"), as of and for the years ended August 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Rehmann is an independent member of Nexia International.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ypsilanti Community Utilities Authority as of August 31, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated February 25, 2021, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rehmann Lohorn LLC". The signature is written in a cursive, flowing style.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

YPSILANTI COMMUNITY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Ypsilanti Community Utilities Authority (the "Authority" or "YCUA") we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended August 31, 2020, 2019 and 2018. We encourage readers to consider the information presented herein in conjunction with additional information that we have furnished in our letter of transmittal, as listed in the table of contents.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$128,253,818 (net position). Of this net amount, there is an unrestricted deficit of \$13,026,783 because of the net pension liability recorded under GASB Statement No. 68, which was first adopted for fiscal 2015.
- The Authority's total net position decreased by \$4,697,659 and \$2,382,936 for fiscal 2020 and 2019, respectively.
- The Authority's total long-term debt including compensated absences increased by a net of \$760,683 for fiscal 2020 and decreased by a net of \$4,394,007 for fiscal 2019; new debt was issued during both years as described in detail in Note 7 of this report.

Overview of the Financial Statements

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

- The *statement of net position* presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *statement of revenues, expenses and changes in net position* presents information showing how the Authority's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.
- The *statement of cash flows* presents the change in the Authority's cash and investments for the two most recent fiscal years.
- The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 position may serve over time as a useful indicator of a government's financial position. In the case of YCUA, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$128,253,818 at the close of the most recent fiscal year.

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

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

At the end of the current and prior fiscal year, the Authority reported an unrestricted deficit in net position due primarily to the net pension liability and related amounts.

	YCUA's Net Position		
	2020	2019	2018
Current and other assets	\$ 17,061,176	\$ 15,609,779	\$ 18,312,962
Restricted assets	13,557,638	12,767,537	12,518,149
Capital assets	187,483,817	190,948,845	197,595,253
Net other postemployment benefit asset	1,074,443	-	-
Total assets	219,177,074	219,326,161	228,426,364
Deferred outflows of resources	6,911,701	7,423,700	3,963,559
Other liabilities	8,221,116	5,053,058	6,029,999
Long-term debt	63,409,793	62,649,110	67,043,117
Other liabilities due in more than one year:			
Net pension liability	23,779,223	24,529,069	21,695,295
Net other postemployment benefit liability	-	1,072,800	1,051,627
Total liabilities	95,410,132	93,304,037	95,820,038
Deferred inflows of resources	2,424,825	494,347	1,235,472
Net investment in capital assets	126,558,092	130,637,045	132,944,274
Restricted	14,722,509	12,767,537	12,518,149
Unrestricted deficit	(13,026,783)	(10,453,105)	(10,128,010)
Total net position	\$ 128,253,818	\$ 132,951,477	\$ 135,334,413

The Authority's net position decreased by \$4,697,659 and \$2,382,936 for fiscal 2020 and 2019, respectively. Key elements of the 2020 changes include:

- Capital contributions to the Authority were \$105,076 (and \$1,963,458 last year).
- Water operating revenues increased by approximately \$1.2 million (or 5.9%). There was a 2.3% increase in consumption and a 2.5% increase in water rates in the City and the Township. Corresponding direct costs for water distribution increased by approximately \$0.5 million.
- Sewage operating revenues decreased by approximately \$1.0 million (or 4.7%). Direct costs for treatment increased by approximately \$0.2 million. Total wastewater treatment expense was up 1.2%.
- Total operating expenses increased by approximately \$0.7 million (or 1.6%) primarily due to a 2.5% increase from the Great Lakes Water Authority.
- The city division increased sewer rates by 2.0% and water rates by 2.5%. These rates all became effective October 10, 2019.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The township division sewer rates increased by 2.0% and water rates increased by 2.5%. These rate increases became effective October 1, 2019.

	YCUA's Change in Net Position		
	2020	2019	2018
Operating revenues	<u>\$ 40,647,178</u>	<u>\$ 40,447,025</u>	<u>\$ 43,734,205</u>
Operating expenses			
Water distribution	18,176,476	17,391,996	17,767,893
Wastewater treatment	25,938,885	26,010,470	23,381,039
Total operating expenses	<u>44,115,361</u>	<u>43,402,466</u>	<u>41,148,932</u>
Operating income (loss)	(3,468,183)	(2,955,441)	2,585,273
Nonoperating revenues (expenses)	<u>(1,334,552)</u>	<u>(1,390,953)</u>	<u>(1,611,044)</u>
Income (loss) before contributions	(4,802,735)	(4,346,394)	974,229
Capital contributions	<u>105,076</u>	<u>1,963,458</u>	<u>675,182</u>
Change in net position	(4,697,659)	(2,382,936)	1,649,411
Net position, beginning of year			
As previously stated	132,951,477	135,334,413	136,014,299
Restatement for implementation of GASB 75	-	-	(2,329,297)
Net position, end of year	<u><u>\$ 128,253,818</u></u>	<u><u>\$ 132,951,477</u></u>	<u><u>\$ 135,334,413</u></u>

Key elements of the 2019 changes include:

- Capital contributions to the Authority were \$1,963,458 (and \$675,182 in 2018).
- Water operating revenues decreased by approximately \$1.2 million (or 5.7%). There was a 8.0% decrease in consumption and no rate change in the City and the Township. Corresponding direct costs for water distribution decreased by approximately \$0.4 million.
- Sewage operating revenues decreased by approximately \$2.1 million (or 9.2%). Direct costs for treatment increased by approximately \$1.4 million. Total wastewater treatment expense was up 8.3%.
- Total operating expenses increased by approximately \$2.3 million (or 5.5%) primarily due to the pension and other postemployment benefits expenses. Pension expenses increased approximately \$728,000, health insurance increased approximately \$240,000, other postemployment benefit expenses increased approximately \$462,000 and wastewater operating expenses increased approximately \$870,000.
- The city division increased sewer rates by 2.0% and water rates remained unchanged. These rates all became effective October 11, 2018.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The township division sewer rates increased by 2.0% and water rates remained unchanged. The water rate increase became effective October 1, 2018.

Capital Assets and Debt Administration

Capital assets. The Authority's investment in capital assets as of August 31, 2020 amounted to \$187.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, wastewater treatment plant, water and wastewater systems, vehicles, equipment, and construction in process. Total net capital assets decreased by \$3.5 million (or 1.8%). The net decrease is primarily attributable to depreciation in excess of current year additions.

	YCUA's Capital Assets		
	2020	2019	2018
Land	\$ 1,298,704	\$ 1,298,704	\$ 1,298,704
Buildings and improvements	555,826	614,228	673,243
Wastewater treatment plant	62,594,165	69,625,470	74,661,449
Water and wastewater systems	114,805,789	117,329,801	113,346,595
Vehicles	1,099,919	831,616	758,511
Equipment	812,144	765,051	682,401
Construction in process	6,317,270	483,975	6,174,350
Total	<u>\$ 187,483,817</u>	<u>\$ 190,948,845</u>	<u>\$ 197,595,253</u>

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

Long-term debt. At year-end, the Authority had \$60.8 million of long-term debt including limited tax obligation bonds, revenue bonds and other obligations as summarized below.

	YCUA's Outstanding Debt		
	2020	2019	2018
Limited tax obligation bonds	\$ 46,376,628	\$ 44,922,449	\$ 47,208,108
Revenue bonds	13,400,000	14,120,000	16,015,000
Environmental liability	1,041,456	1,041,456	1,041,456
Total	<u>\$ 60,818,084</u>	<u>\$ 60,083,905</u>	<u>\$ 64,264,564</u>

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

Economic Factors Affecting Next Year's Operations and Rates

The City and Township independently set their own water rates. In October 2018, YCUA changed the rate structure to the residents of Ypsilanti Township and City of Ypsilanti. YCUA eliminated the minimum usage charge and incorporated the surcharge in to the new rate system. The new rate structure incorporates a readiness to serve charge along with a consumption charge.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2021. 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 Great Lakes Water Authority or GLWA).

YCUA's plan reflects a belief that local economic conditions will not improve or deteriorate from those during fiscal year 2021. Inflation in the local labor markets will remain moderate, whereas inflation in the utility and health care costs will be significant.

The Authority's operating budget for fiscal 2021 is approximately \$48.1 million; key provisions include:

- Operating revenue increases slightly to \$44.1 million, attributable to an increase in water rates along with a decrease consumption due to little or no growth in our residential and manufacturing customers.
- Operating expenses increases to \$48.1 with a general increase in operating costs including a increase in the cost of water purchased from GLWA.

The capital budget for fiscal 2020 totals approximately \$2.25 million due primarily to wastewater plant improvements and water main replacement projects. Delivering water to our customers and collecting and treating the wastewater generated are the primary functions of the Authority. In addition, planning for the future water and wastewater needs of our communities is a vital function. Other capital asset activity scheduled to occur includes:

- Many water mains and sanitary sewers within the city and township have been identified as needing replacement, either because of age or inadequate size. These replacements are being scheduled as time and funds permit. In fiscal 2021, about 1.7 miles of water main replacement are scheduled for replacement.

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of the coronavirus. On March 10, 2020, Michigan Governor Gretchen Whitmer declared a state of emergency across the State, directing State agencies to use all resources necessary to prepare for and respond to the outbreak. On March 13, 2020, President Trump declared a national emergency to unlock federal funds to help states and local governments fight the pandemic. The current spread of COVID-19, and actions taken by the federal and state and local governments in response thereto, are altering the behavior of businesses and people in a manner that may have a long term negative effect on economic activity, and therefore could adversely affect the future financial condition of the Ypsilanti Community Utilities Authority, directly or indirectly.

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.

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BASIC FINANCIAL STATEMENTS

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Statements of Net Position

	August 31,	
	2020	2019
Assets		
Current assets:		
Cash and investments	\$ 4,468,972	\$ 7,182,648
Receivables, net	11,011,602	6,877,612
Inventories	1,379,721	1,356,111
Prepaid items	78,891	84,615
Total current assets	<u>16,939,186</u>	<u>15,500,986</u>
Noncurrent assets:		
Restricted assets:		
Cash and investments	11,070,455	10,317,690
Bond reserve funds held by City of Ypsilanti	2,487,183	2,449,847
Receivables, long-term portion	121,990	108,793
Capital assets not being depreciated	7,615,974	1,782,679
Capital assets being depreciated, net	179,867,843	189,166,166
Net other postemployment benefit asset	1,074,443	-
Total noncurrent assets	<u>202,237,888</u>	<u>203,825,175</u>
Total assets	<u>219,177,074</u>	<u>219,326,161</u>
Deferred outflows of resources		
Deferred pension amounts	4,140,670	5,504,032
Deferred other postemployment benefit amounts	2,387,225	1,516,214
Deferred charge on refunding	383,806	403,454
Total deferred outflows of resources	<u>6,911,701</u>	<u>7,423,700</u>
Liabilities		
Current liabilities:		
Accounts payable	5,386,251	2,904,283
Retentions, deposits and other liabilities	1,670,821	1,069,593
Accrued interest payable	713,525	554,634
Unearned revenue	450,519	524,548
Current maturities of long-term debt	6,401,567	4,577,289
Current maturities of accrued compensated absences	529,403	446,200
Total current liabilities	<u>15,152,086</u>	<u>10,076,547</u>
Noncurrent liabilities:		
Long-term debt, net of current maturities:		
Bonds payable	55,357,964	56,587,965
Environmental liability	591,456	591,456
Accrued compensated absences	529,403	446,200
Net pension liability	23,779,223	24,529,069
Net other postemployment benefit liability	-	1,072,800
Total noncurrent liabilities	<u>80,258,046</u>	<u>83,227,490</u>
Total liabilities	<u>95,410,132</u>	<u>93,304,037</u>
Deferred inflows of resources		
Deferred pension amounts	128,028	343,262
Deferred other postemployment benefit amounts	2,296,797	151,085
Total deferred inflows of resources	<u>2,424,825</u>	<u>494,347</u>
Net position		
Net investment in capital assets	126,558,092	130,637,045
Restricted for special purposes	14,722,509	12,767,537
Unrestricted (deficit)	<u>(13,026,783)</u>	<u>(10,453,105)</u>
Total net position	<u>\$ 128,253,818</u>	<u>\$ 132,951,477</u>

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

	For the Year Ended August 31,	
	2020	2019
Operating revenues		
Water sales	\$ 18,417,498	\$ 18,879,901
Sewage disposal sales	16,623,003	18,416,240
Surcharges and other usage fees:		
Capital improvement surcharge	3,815,737	1,216,147
Construction reserve	253,940	261,442
Environmental reserve	115,466	126,453
Other operating revenue	1,421,534	1,546,842
Total operating revenues	<u>40,647,178</u>	<u>40,447,025</u>
Operating expenses		
Water distribution	11,817,682	11,439,057
Wastewater treatment	17,960,178	17,741,510
Wastewater pump stations	1,434,756	1,293,266
Industrial surveillance	546,703	322,868
Transmission and distribution	8,300,069	8,888,368
Meter service	1,480,328	1,357,652
Customer accounting and collections	562,935	592,279
General and administration	2,012,710	1,767,466
Total operating expenses	<u>44,115,361</u>	<u>43,402,466</u>
Operating loss	<u>(3,468,183)</u>	<u>(2,955,441)</u>
Nonoperating revenues (expenses)		
Investment earnings	176,628	255,762
Connection fees	95,616	102,434
Interest and amortization expense	(1,613,977)	(1,749,872)
Other nonoperating revenues	7,181	723
Total nonoperating revenues (expenses)	<u>(1,334,552)</u>	<u>(1,390,953)</u>
Loss before capital contributions	(4,802,735)	(4,346,394)
Capital contributions	<u>105,076</u>	<u>1,963,458</u>
Change in net position	(4,697,659)	(2,382,936)
Net position, beginning of year	<u>132,951,477</u>	<u>135,334,413</u>
Net position, end of year	<u>\$ 128,253,818</u>	<u>\$ 132,951,477</u>

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Statements of Cash Flows

	For the Year Ended August 31,	
	2020	2019
Cash flows from operating activities		
Receipts from customers and users	\$ 36,499,991	\$ 38,830,716
Payments to suppliers	(17,668,981)	(20,989,744)
Payments to employees and employee benefits	(11,947,382)	(13,269,314)
Net cash provided by operating activities	<u>6,883,628</u>	<u>4,571,658</u>
Cash flows from capital and related financing activities		
Proceeds from issuance of and draws on long-term debt	5,790,539	790,478
Proceeds from original issuance premiums on bonds	101,155	-
Use of bond reserve funds on deposit with the City of Ypsilanti	(37,336)	-
Acquisition and construction of capital assets	(8,245,467)	(2,943,426)
Principal payments on long-term debt	(3,891,360)	(4,971,137)
Payment to refunding bond escrow agent	(1,120,000)	-
Interest payments on long-term debt	(1,721,495)	(1,945,791)
Receipts from connection fees	95,616	102,434
Net cash used in capital and related financing activities	<u>(9,028,348)</u>	<u>(8,967,442)</u>
Cash flows from investing activities		
Earnings received on investments	<u>183,809</u>	<u>256,485</u>
Net change in cash and investments	<u>(1,960,911)</u>	<u>(4,139,299)</u>
Cash and investments, beginning of year	<u>17,500,338</u>	<u>21,639,637</u>
Cash and investments, end of year	<u><u>\$ 15,539,427</u></u>	<u><u>\$ 17,500,338</u></u>
Reconciliation to statements of net position		
Cash and investments	\$ 4,468,972	\$ 7,182,648
Restricted cash and investments	<u>11,070,455</u>	<u>10,317,690</u>
Total cash and investments	<u><u>\$ 15,539,427</u></u>	<u><u>\$ 17,500,338</u></u>

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Statements of Cash Flows

	For the Year Ended August 31,	
	2020	2019
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (3,468,183)	\$ (2,955,441)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	11,815,571	11,553,292
Changes in current assets and liabilities:		
Receivables	(4,147,187)	(1,616,309)
Inventories	(23,610)	(47,757)
Prepaid items	5,724	(21,438)
Net pension asset	(1,074,443)	-
Deferred outflow of resources - pension amounts	1,363,362	(2,304,840)
Deferred outflow of resources - other postemployment benefit amounts	(871,011)	(1,227,711)
Accounts payable	2,481,968	(376,631)
Retentions, deposits and other liabilities	601,228	(488,882)
Unearned revenue	(74,029)	(74,029)
Accrued compensated absences	166,406	17,582
Net pension liability	(749,846)	2,833,774
Net other postemployment benefit liability	(1,072,800)	21,173
Deferred inflow of resources - pension amounts	(215,234)	(794,527)
Deferred inflow of resources - other postemployment benefit amounts	2,145,712	53,402
Net cash provided by operating activities	<u>\$ 6,883,628</u>	<u>\$ 4,571,658</u>
Noncash items		
Capital contributions from developers	<u>\$ 105,076</u>	<u>\$ 1,963,458</u>
		concluded.

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

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NOTES TO THE FINANCIAL STATEMENTS

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

A five-member board of commissioners governs the Authority. Three of the members are appointed by the Township, the other two are appointed by the City. In addition to serving residents of the City and Township, the Authority also sells water distribution and wastewater treatment services capacity to neighboring governments under contractual agreements.

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

Basis of Presentation / Measurement Focus / Basis of Accounting

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

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Assets, Deferred Outflows/Inflows of Resources, Liabilities and Equity

Deposits and Investments

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

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

Receivables

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

Inventories and Prepaid Items

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

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

Restricted Assets

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

Capital Assets

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

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

Assets	Years
Buildings and improvements	40
Wastewater treatment plant	5-50
Water and wastewater systems	5-50
Vehicles	5-20
Equipment	5-20

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The Authority reports a deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Authority also reports deferred outflows of resources related to the net pension liability and net other postemployment benefit liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date.

Compensated Absences

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

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time of issuance.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until that time. The Authority reports deferred inflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension and other postemployment benefits plans.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and OPEB liabilities (asset), deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

2. BUDGETARY INFORMATION

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

3. DEPOSITS AND INVESTMENTS

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

	2020	2019
Statement of Net Position		
Cash and investments	\$ 4,468,972	\$ 7,182,648
Restricted cash and investments	11,070,455	10,317,690
Total	<u>\$ 15,539,427</u>	<u>\$ 17,500,338</u>
Deposits and Investments		
Bank deposits (checking accounts, savings accounts, money market accounts and certificate of deposits)	\$ 15,538,577	\$ 17,499,488
Cash on hand	850	850
Total	<u>\$ 15,539,427</u>	<u>\$ 17,500,338</u>

Custodial Credit Risk - Deposits. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to the government. As of August 31, 2020, \$15,710,784 of the Authority's total bank balance of \$17,210,784 (total book balance was \$15,538,577) was exposed to custodial credit risk as it was uninsured and uncollateralized. As of August 31, 2019, \$17,795,914 of the Authority's total bank balance of \$19,295,914 (total book balance was \$17,499,488) was exposed to custodial credit risk as it was uninsured and uncollateralized.

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

4. RECEIVABLES

Receivables as of August 31 are summarized as follows:

	2020	2019
Accounts, net of \$25,000 allowance	\$ 10,975,459	\$ 6,763,774
Accrued investment interest	9,583	50,984
Special assessments and benefit charges	148,550	171,647
Total receivables	11,133,592	6,986,405
Less long-term portion of special assessments and benefit charges	(121,990)	(108,793)
Current portion of receivables	\$ 11,011,602	\$ 6,877,612

Special assessments receivable, which represent liens against the applicable properties, mature through December 2024 and are due in equal annual installments plus interest at 5.0% of the outstanding balance.

5. RESTRICTED ASSETS

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

Description / Reference	2020	2019
Township bond and interest reserve (Ordinance No. 11, section 13, amended by No. 47)	\$ 303,935	\$ 303,496
Township construction reserve surcharge (Ordinance No. 124, sections A(10) and B(9))	2,902,354	2,692,674
WWTP future construction reserve (WWTP construction agreement, as amended)	1,067,652	1,059,679
City construction reserve surcharge (Ordinance No. 697, section 2.137)	906,896	845,710
City debt retirement and capital improvement surcharge (Ordinance No. 696, amended by Ordinance No. 959)	414,330	372,686
Wastewater treatment plant improvement reserve (WTUA wastewater disposal agreement, as amended)	1,907,309	1,921,981
EPA replacement reserve (EPA regulatory requirements)	1,245,266	1,236,642
Township environmental reserve surcharge (Ordinance No. 11, section 9; amended by No. 134)	1,969,727	1,834,904
Construction project bond/capital lease proceeds (Bond ordinances)	352,986	49,918
	\$ 11,070,455	\$ 10,317,690

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

6. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 1,298,704	\$ -	\$ -	\$ -	\$ 1,298,704
Construction in progress	483,975	7,303,295	-	(1,470,000)	6,317,270
Total capital assets not being depreciated	1,782,679	7,303,295	-	(1,470,000)	7,615,974
Capital assets being depreciated:					
Buildings and improvements	2,216,082	-	-	-	2,216,082
Wastewater treatment plant	193,260,127	63,201	-	-	193,323,328
Water and wastewater systems	205,824,802	442,803	-	1,470,000	207,737,605
Vehicles	4,470,666	406,912	-	-	4,877,578
Equipment	6,879,833	134,332	-	-	7,014,165
Total capital assets being depreciated	412,651,510	1,047,248	-	1,470,000	415,168,758
Less accumulated depreciation for:					
Buildings and improvements	(1,601,854)	(58,402)	-	-	(1,660,256)
Wastewater treatment plant	(123,634,657)	(7,094,506)	-	-	(130,729,163)
Water and wastewater systems	(88,495,001)	(4,436,815)	-	-	(92,931,816)
Vehicles	(3,639,050)	(138,609)	-	-	(3,777,659)
Equipment	(6,114,782)	(87,239)	-	-	(6,202,021)
Total accumulated depreciation	(223,485,344)	(11,815,571)	-	-	(235,300,915)
Total capital assets being depreciated, net	189,166,166	(10,768,323)	-	1,470,000	179,867,843
Total capital assets, net	\$ 190,948,845	\$ (3,465,028)	\$ -	\$ -	\$ 187,483,817

Construction commitments

The Authority has ongoing construction projects to update the incinerator and West Tertiary filters with cumulative outstanding commitments of approximately \$4.5 million at year end.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Capital assets activity for the year ended August 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 1,298,704	\$ -	\$ -	\$ -	\$ 1,298,704
Construction in progress	6,174,350	1,955,149	-	(7,645,524)	483,975
Total capital assets not being depreciated	7,473,054	1,955,149	-	(7,645,524)	1,782,679
Capital assets being depreciated:					
Buildings and improvements	2,216,082	-	-	-	2,216,082
Wastewater treatment plant	191,282,257	107,170	-	1,870,700	193,260,127
Water and wastewater systems	197,585,841	2,464,137	-	5,774,824	205,824,802
Vehicles	4,266,379	204,287	-	-	4,470,666
Equipment	6,703,692	176,141	-	-	6,879,833
Total capital assets being depreciated	402,054,251	2,951,735	-	7,645,524	412,651,510
Less accumulated depreciation for:					
Buildings and improvements	(1,542,839)	(59,015)	-	-	(1,601,854)
Wastewater treatment plant	(116,620,808)	(7,013,849)	-	-	(123,634,657)
Water and wastewater systems	(84,239,246)	(4,255,755)	-	-	(88,495,001)
Vehicles	(3,507,868)	(131,182)	-	-	(3,639,050)
Equipment	(6,021,291)	(93,491)	-	-	(6,114,782)
Total accumulated depreciation	(211,932,052)	(11,553,292)	-	-	(223,485,344)
Total capital assets being depreciated, net	190,122,199	(8,601,557)	-	7,645,524	189,166,166
Total capital assets, net	\$ 197,595,253	\$ (6,646,408)	\$ -	\$ -	\$ 190,948,845

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

7. LONG-TERM DEBT

Limited tax general obligation bonds. The Authority issues bonds that are backed by the full faith and credit of the City or Township, but where the income derived from the acquired or constructed assets is intended to pay debt service. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. The original amount of bonds issued for the issues outstanding as of August 31, 2020 was \$72,694,237.

During fiscal 2020 and 2019, the cash draws against the Drinking Water Revolving Fund and Clean Water State Revolving Fund bonds amounted to \$4,670,539 and \$790,478, respectively, which were the project construction costs incurred during those years. The total amount authorized under these issues was \$21,382,849 of which \$4,554,019 is still available and expected to be drawn through August 31, 2020.

Limited tax general obligation bonds outstanding at August 31, 2020 are as follows:

	Credit	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
1999 water (DWRP)	City	2.50%	\$ 60,000	\$ -	\$ (60,000)	\$ -	\$ -
2003 water (DWRP)	Twp	2.50%	932,426	-	(180,000)	752,426	180,000
2007 water (DWRP)	City	2.125%	148,702	-	(15,000)	133,702	15,000
2007 water (DWRP)	Twp	2.125%	1,020,075	-	(105,000)	915,075	105,000
2008 water (DWRP)	Twp	2.50%	623,213	-	(55,000)	568,213	60,000
2008 water (DWRP)	City	2.50%	239,253	-	(20,000)	219,253	20,000
2009 water (DWRP)	City	2.50%	94,029	-	(5,000)	89,029	10,000
2009 water (DWRP)	Twp	2.50%	169,566	-	(17,000)	152,566	17,000
2010 water (SRF)	Shared	2.50%	450,151	-	(30,000)	420,151	35,000
2010 water (SRF)	Twp	2.50%	1,827,658	-	(140,000)	1,687,658	140,000
2010 water (SRF)	Twp	2.50%	306,641	-	(20,000)	286,641	25,000
2010 refunding	Twp	1.50-3.125%	362,203	-	(179,360)	182,843	182,843
2010 water	Twp	4.0-5.0%	1,265,000	-	(1,265,000)	-	-
2011 water refunding	Twp	2.0-4.0%	3,960,000	-	(535,000)	3,425,000	580,000
2012 water (DWRP)	Shared	2.50%	1,154,554	-	(70,000)	1,084,554	70,000
2012 water (DWRP)	City	2.50%	2,305,000	-	(130,000)	2,175,000	130,000
2012 water (DWRP)	Twp	2.50%	2,327,119	-	(155,000)	2,172,119	160,000
2012 water	Twp	2.0-4.0%	2,035,000	-	(105,000)	1,930,000	110,000
2012 water (DWRP)	Twp	2.00%	1,558,748	-	(95,000)	1,463,748	100,000
2013 water refunding	Twp	0.45-3.25%	3,260,000	-	(290,000)	2,970,000	300,000
2013 water (DWRP)	Shared	2.00%	898,207	-	(50,000)	848,207	55,000
2014 water (DWRP)	Shared	2.50%	3,688,036	-	(175,000)	3,513,036	180,000
2015 water (DWRP)	Shared	2.50%	370,000	-	(20,000)	350,000	20,000
2016 sewer refunding	Twp	2.0-4.0%	3,855,000	-	(260,000)	3,595,000	275,000
2017 sewer refunding	Twp	4.00%	6,270,000	-	(125,000)	6,145,000	125,000
2017 water (DWRP)	Shared	2.50%	1,695,699	-	(75,000)	1,620,699	80,000
2017 water (DWRP)	Twp	2.50%	3,646,426	-	(160,000)	3,486,426	155,000
2019 water (DWRP)	Shared	2.00%	399,743	4,670,539	-	5,070,282	390,000
2020 refunding	Twp	4.00%	-	1,120,000	-	1,120,000	205,000
			<u>\$ 44,922,449</u>	<u>\$ 5,790,539</u>	<u>\$ (4,336,360)</u>	<u>\$ 46,376,628</u>	<u>\$ 3,724,843</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Limited tax general obligation bonds outstanding at August 31, 2019 are as follows:

	Credit	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
1999 water (DWRf)	City	2.50%	\$ 115,000	\$ -	\$ (55,000)	\$ 60,000	\$ 60,000
2003 water (DWRf)	Twp	2.50%	1,107,426	-	(175,000)	932,426	180,000
2007 water (DWRf)	City	2.125%	163,702	-	(15,000)	148,702	15,000
2007 water (DWRf)	Twp	2.125%	1,125,075	-	(105,000)	1,020,075	105,000
2008 water (DWRf)	Twp	2.50%	678,213	-	(55,000)	623,213	55,000
2008 water (DWRf)	City	2.50%	259,253	-	(20,000)	239,253	20,000
2009 water (DWRf)	City	2.50%	99,029	-	(5,000)	94,029	5,000
2009 water (DWRf)	Twp	2.50%	186,566	-	(17,000)	169,566	17,000
2010 water (SRF)	Shared	2.50%	480,151	-	(30,000)	450,151	35,000
2010 water (SRF)	Twp	2.50%	1,957,658	-	(130,000)	1,827,658	140,000
2010 water (SRF)	Twp	2.50%	326,641	-	(20,000)	306,641	20,000
2010 refunding	Twp	1.50-3.125%	536,340	-	(174,137)	362,203	179,359
2010 water	Twp	4.0-5.0%	1,345,000	-	(80,000)	1,265,000	100,000
2011 water refunding	Twp	2.0-4.0%	4,410,000	-	(450,000)	3,960,000	535,000
2012 water (DWRf)	Shared	2.50%	1,219,554	-	(65,000)	1,154,554	70,000
2012 water (DWRf)	City	2.50%	2,430,000	-	(125,000)	2,305,000	130,000
2012 water (DWRf)	Twp	2.50%	2,477,119	-	(150,000)	2,327,119	155,000
2012 water	Twp	2.0-4.0%	2,135,000	-	(100,000)	2,035,000	105,000
2012 water (DWRf)	Twp	2.00%	1,653,748	-	(95,000)	1,558,748	95,000
2013 water refunding	Twp	0.45-3.25%	3,550,000	-	(290,000)	3,260,000	290,000
2013 water (DWRf)	Shared	2.00%	948,207	-	(50,000)	898,207	50,000
2014 water (DWRf)	Shared	2.50%	3,863,036	-	(175,000)	3,688,036	175,000
2015 water (DWRf)	Shared	2.50%	390,000	-	(20,000)	370,000	20,000
2016 sewer refunding	Twp	2.0-4.0%	4,200,000	-	(345,000)	3,855,000	260,000
2017 sewer refunding	Twp	4.00%	6,370,000	-	(100,000)	6,270,000	125,000
2017 water (DWRf)	Shared	2.50%	1,724,763	45,936	(75,000)	1,695,699	75,000
2017 water (DWRf)	Twp	2.50%	3,456,627	344,799	(155,000)	3,646,426	160,000
2019 water (DWRf)	Shared	2.00%	-	399,743	-	399,743	-
			<u>\$ 47,208,108</u>	<u>\$ 790,478</u>	<u>\$ (3,076,137)</u>	<u>\$ 44,922,449</u>	<u>\$ 3,176,359</u>

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

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

Year Ended August 31,	Principal	Interest
2021	\$ 3,724,843	\$ 1,187,012
2022	3,642,000	1,078,242
2023	3,742,000	987,260
2024	3,719,426	892,485
2025	3,622,000	800,715
2026-2030	17,492,838	2,683,957
2031-2035	10,953,078	876,061
2036-2040	4,034,462	728,724
	50,930,647	<u>\$ 9,234,456</u>
Less amount remaining to draw on outstanding projects	<u>(4,554,019)</u>	
	<u>\$ 46,376,628</u>	

For purposes of presenting the above maturities, the debt amortization schedules for the outstanding projects present the maturities based on the total authorized project amount whereas the debt per the financial statements is based on the actual draws through year end. Further, the interest for the years 2035 through 2040 is not known until those final project draws are made.

Refunded Debt

During fiscal year 2020, the Authority issued \$1,120,000 of refunding bonds to advance refund \$1,165,000 of the 2010 water bonds. The refunding resulted in a net savings of \$264,386 and an economic gain of \$222,192. The refunded bonds were redeemed before year end.

Revenue bonds. The Authority, in conjunction with the City, also issues bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. The original amount of revenue bonds for the issues outstanding as of August 31, 2020 was \$28,845,000. No new or refunding revenue bonds were issued during the current year.

Revenue bonds outstanding at August 31, 2020 are as follows:

	Credit	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2002B water (DWRf)	City	2.50%	\$ 90,000	\$ -	\$ (30,000)	\$ 60,000	\$ 30,000
2003C water (DWRf)	City	2.50%	235,000	-	(45,000)	190,000	45,000
2003D water (DWRf)	City	2.50%	1,580,000	-	(300,000)	1,280,000	310,000
2004B water (DWRf)	City	2.125%	2,190,000	-	(345,000)	1,845,000	355,000
2013 refunding	City	2.00-4.00%	2,660,000	-	-	2,660,000	660,000
2016 refunding	City	2.00-4.00%	7,365,000	-	-	7,365,000	570,000
			<u>\$ 14,120,000</u>	<u>\$ -</u>	<u>\$ (720,000)</u>	<u>\$ 13,400,000</u>	<u>\$ 1,970,000</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Revenue bonds outstanding at August 31, 2019 are as follows:

	Credit	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2002B water (DWRf)	City	2.50%	\$ 120,000	\$ -	\$ (30,000)	\$ 90,000	\$ 30,000
2003C water (DWRf)	City	2.50%	280,000	-	(45,000)	235,000	45,000
2003D water (DWRf)	City	2.50%	1,875,000	-	(295,000)	1,580,000	300,000
2004B water (DWRf)	City	2.125%	2,530,000	-	(340,000)	2,190,000	345,000
2013 refunding	City	2.00-4.00%	3,290,000	-	(630,000)	2,660,000	-
2016 refunding	City	2.00-4.00%	7,920,000	-	(555,000)	7,365,000	-
			<u>\$ 16,015,000</u>	<u>\$ -</u>	<u>\$ (1,895,000)</u>	<u>\$ 14,120,000</u>	<u>\$ 720,000</u>

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

Year Ended August 31,	Principal	Interest
2021	\$ 1,970,000	\$ 427,872
2022	2,015,000	372,238
2023	2,075,000	308,869
2024	2,145,000	237,116
2025	1,690,000	170,391
2026-2028	<u>3,505,000</u>	<u>176,500</u>
	<u>\$ 13,400,000</u>	<u>\$ 1,692,986</u>

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

In fiscal 1995, the named PRP's entered into an agreement to fund the cost of the clean up. Based on this agreement, the Authority recorded a liability totaling \$1,250,000 and agreed that it will: (1) make three annual payments of \$250,000 each beginning in 2002; and (2) pay up to an additional \$500,000 for certain water treatment costs over a period of not more 30 years with no more than \$50,000 payable in any one year. Through August 31, 2008, two payments of \$50,000 each were made between fiscal 1997 and 1998. During fiscal year 2009, following receipt of a reimbursement request from General Motors Corporation, the Authority made a payment of \$108,544 to cover costs from 1998 through 2007. No payments have been made or requested since 2009.

Accordingly, the Authority's obligation for this matter is carried on the financial statements until it is released from the agreement by the EPA. Of the total liability, \$450,000 is reported as a current liability (i.e., one payment of \$250,000 and four payments of \$50,000 each) and \$591,456 is reported as long-term.

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Changes in long-term debt. Following is a summary of long-term debt activity for the year ended August 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Limited tax obligation bonds	\$ 44,922,449	\$ 5,790,539	\$ (4,336,360)	\$ 46,376,628	\$ 3,724,843
Revenue bonds	14,120,000	-	(720,000)	13,400,000	1,970,000
Environmental liability	1,041,456	-	-	1,041,456	450,000
Compensated absences	892,400	854,566	(688,160)	1,058,806	529,403
	60,976,305	6,645,105	(5,744,520)	61,876,890	6,674,246
Deduct deferred amounts for:					
Issuance discounts	(243,631)	-	33,125	(210,506)	(27,572)
Issuance premiums	1,916,436	101,155	(274,182)	1,743,409	284,296
	<u>\$ 62,649,110</u>	<u>\$ 6,746,260</u>	<u>\$ (5,985,577)</u>	<u>\$ 63,409,793</u>	<u>\$ 6,930,970</u>

Following is a summary of long-term debt activity for the year ended August 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Limited tax obligation bonds	\$ 47,208,108	\$ 790,478	\$ (3,076,137)	\$ 44,922,449	\$ 3,176,359
Revenue bonds	16,015,000	-	(1,895,000)	14,120,000	720,000
Environmental liability	1,041,456	-	-	1,041,456	450,000
Compensated absences	874,818	746,490	(728,908)	892,400	446,200
	65,139,382	1,536,968	(5,700,045)	60,976,305	4,792,559
Deduct deferred amounts for:					
Issuance discounts	(276,766)	-	33,135	(243,631)	(33,135)
Issuance premiums	2,180,501	-	(264,065)	1,916,436	264,065
	<u>\$ 67,043,117</u>	<u>\$ 1,536,968</u>	<u>\$ (5,930,975)</u>	<u>\$ 62,649,110</u>	<u>\$ 5,023,489</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

8. CAPITAL CONTRIBUTIONS

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

	2020	2019
Western Townships Utility Authority	\$ 1,995	\$ -
City of Ypsilanti	103,081	-
Ypsilanti Township	-	1,963,458
	<u>\$ 105,076</u>	<u>\$ 1,963,458</u>

9. RISK MANAGEMENT

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

10. CONTINGENT LIABILITIES

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

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

11. DEFINED BENEFIT PENSION PLAN

Plan Description. The Authority's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Authority participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided. Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 3 year period) and multipliers ranging from 1.5% to 2.0%. Participants are considered to be fully vested in the plan after 6-10 years depending on the division/bargaining unit. Normal retirement age is 60 with early retirement at age 50 with 25 years of service, age 55 with 25 years of service, or age 55 with 15 years of service, depending on division/bargaining unit.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Employees Covered by Benefit Terms. At the December 31, 2019 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	132
Inactive employees entitled to but not yet receiving benefits	33
Active employees	<u>112</u>
Total membership	<u>277</u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In addition, the employer may establish contribution rates to be paid by its covered employees.

Employer and employee contribution amounts or rates, by division/bargaining unit, were as follows for the year ended August 31, 2020:

Division/Bargaining Unit	Employer Contribution	Employee Contribution	Status
AFSCME	2.46%	5.0%	Open
AFSCME	\$ 837,600	5.0%	Closed
Teamsters	810,384	5.0%	Closed
Management	568,932	5.0%	Closed

Net Pension Liability. The Authority's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment and administrative expense including inflation

The mortality table used to project the mortality experience of non-disabled plan members is a 50% male, 50% female blend of the following tables:

- The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%
- The RP-2014 Employee Mortality Tables
- The RP-2014 Juvenile Mortality Tables

The mortality table used to project the mortality experience of disabled plan members is 50% Male, 50% Female blend of RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Long-term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.0%	5.25%	3.15%
Global fixed income	20.0%	1.25%	0.25%
Private investments	20.0%	7.25%	1.45%
	<u>100.0%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>7.60%</u></u>

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2019 was 7.6% (down from 8.0% at December 31, 2018). The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2018	\$ 55,390,375	\$ 30,861,306	\$ 24,529,069
Changes for the year:			
Service cost	716,377	-	716,377
Interest	4,314,729	-	4,314,729
Differences between expected and actual experience	633,935	-	633,935
Assumption changes	1,707,899	-	1,707,899
Employer contributions	-	3,613,597	(3,613,597)
Employee contributions	-	379,204	(379,204)
Net investment income	-	4,202,282	(4,202,282)
Benefit payments, including refunds of employee contributions	(3,628,953)	(3,628,953)	-
Administrative expense	-	(72,297)	72,297
Net changes	3,743,987	4,493,833	(749,846)
Balances at December 31, 2019	\$ 59,134,362	\$ 35,355,139	\$ 23,779,223

Changes in assumptions. In 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 7.6%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.6%) or 1% higher (8.6%) than the current rate:

1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
\$ 30,187,719	\$ 23,779,223	\$ 18,326,208

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended August 31, 2020, the Authority recognized pension expense of \$3,537,863. The Authority reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 502,122	\$ 128,028	\$ 374,094
Changes in assumptions	1,280,924	-	1,280,924
Net difference between projected and actual earnings on pension plan investments	147,151	-	147,151
	<u>1,930,197</u>	<u>128,028</u>	<u>1,802,169</u>
Contributions subsequent to the measurement date	2,210,473	-	2,210,473
Total	\$ 4,140,670	\$ 128,028	\$ 4,268,698

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending August 31, 2021. Other amounts reported as deferred outflows/inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended August 31,	Amount
2021	\$ 410,703
2022	723,005
2023	1,012,805
2024	<u>(344,344)</u>
Total	\$ 1,802,169

Payable to the Pension Plan. At August 31, 2020, the Authority had \$275,919 recorded as a payable for contributions to the pension plan.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The Authority administers a single-employer defined benefit healthcare plan (OPEB Plan), that provides certain health care benefits to all full-time employees, hired prior to September 1, 2019, upon retirement, in accordance with the applicable labor agreements. These benefits are integrated with Medicare to provide benefits comparable to those received at the date of retirement for the employee's life. In September 2005, the Authority adopted the Michigan Municipal Employees' Retirement System (MERS) Retiree Health Funding Vehicle to fund the obligation. Stand-alone financial statements are not issued for the OPEB Plan.

Benefits Provided. YCUA has four Medical / Rx, three dental and three vision benefit options. The plans offered to Pre-2014 retirees will not change over time. All the plans renew on a calendar year basis. Retirees and covered spouses have coverage as long as the retiree is alive and receiving a MERS pension. When a covered retiree dies, spouse coverage depends on the individual contract. In general for future AFSCME retirees, spouse coverage upon retiree death is available until the earlier of remarriage, the retiree would have been eligible for Medicare or other health insurance becomes available. For Teamsters and Non-Union future retirees, spouse coverage upon retiree death is available until the earlier of remarriage, the spouse is eligible for Medicare or other health insurance becomes available.

Employees Covered by Benefit Terms. At June 30, 2020, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	98
Active employees	<u>60</u>
Total membership	<u>158</u>

Contributions. The Authority has no obligation to make contributions in advance of when the insurance premiums or benefits are due for payment. Administrative costs of the plan are paid for by the Authority. Plan participants are not required to contribute to the plan.

Net Other Postemployment Benefit Asset. The Authority's net other postemployment benefit asset was measured as of June 30, 2020, and the total other postemployment benefit liability used to calculate the net other postemployment benefit asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total other postemployment benefit liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% per year
Salary increases	2.25% per year
Investment rate of return	7.75%, net of investment expense and including inflation
Healthcare cost trend rate	6.5% trending down to an ultimate rate of 4.5% (The PA 152 benefit caps applied to the employer portion of plan premiums are assumed to increase (trend) at 2.5% per year.)

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Assumption changes

The excise tax of 2.5% was eliminated due to the "Cadillac" tax being eliminated per legislation; The mortality assumption was changed from Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality with MP-2019 Full Generational Improvement to the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-Weighted General Mortality Tables using Scale MP-2020 Full Generational Improvement; Per capita costs, retiree contribution premiums and trends were updated as part of the actuarial evaluation. Manufacturer Rx rebates were valued as an offset to retiree drug costs. The Medicare Part D subsidy is not allowed to be valued as an offset against future costs per GASB standards; The assets earned less than assumed. The rate of return from beginning to end of year measurement date is about 2.4%.

Mortality rates used were based on the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-Weighted General Mortality Tables using Scale MP-2020 Full Generational Improvement.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

Long-term Expected Return on Plan Assets. The long-term expected rate of return on other postemployment benefit plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	55.5%	6.15%	3.41%
Global fixed income	18.5%	1.26%	0.23%
Real assets	13.5%	7.22%	0.98%
Diversifying strategies	12.5%	5.00%	0.63%
	<u>100.0%</u>		
Inflation			<u>2.50%</u>
Investment rate of return			<u><u>7.75%</u></u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Discount Rate. The discount rate used to measure the total other postemployment benefit liability is 7.75% for the 2020 valuation. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the other postemployment benefit plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total other postemployment benefit liability.

Changes in Net Other Postemployment Benefit Liability (Asset)

Changes in Net Other Postemployment Benefit Liability (Asset). The components of the change in the net other postemployment benefit (OPEB) liability (asset) are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 27,806,339	\$ 26,733,539	\$ 1,072,800
Changes for the year:			
Service cost	239,894	-	239,894
Interest	2,122,790	-	2,122,790
Difference between expected and actual experience	(109,308)	-	(109,308)
Changes in assumptions	(2,508,637)	-	(2,508,637)
Employer contributions	-	1,310,793	(1,310,793)
Net investment income	-	630,118	(630,118)
Benefit payments, including refunds of employee contributions	(1,310,793)	(1,310,793)	-
Administrative expense	-	(48,929)	48,929
Net changes	(1,566,054)	581,189	(2,147,243)
Balances at June 30, 2020	\$ 26,240,285	\$ 27,314,728	\$ (1,074,443)

Sensitivity of the Net Other Postemployment Benefit Liability (Asset) to Changes in the Discount Rate. The following presents the net other postemployment benefit liability (asset) of the Authority, calculated using the discount rate of 7.75%, as well as what the Authority's net other postemployment benefit liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.75%) or 1% higher (8.75%) than the current rate:

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
\$ 2,098,545	\$ (1,074,443)	\$ (3,723,592)

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Sensitivity of the Net Other Postemployment Benefit Liability (Asset) to Changes in the Healthcare Cost Trend Rate. The following presents the net other postemployment benefit liability (asset) of the Authority, calculated using the health care cost trend rate of 2.5%, as well as what the Authority's net other postemployment benefit liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1% lower (1.5%) or 1% higher (3.5%) than the current rate:

1% Decrease (1.5%)	Healthcare Cost Trend Rate (2.5%)	1% Increase (3.5%)
\$ (3,796,153)	\$ (1,074,443)	\$ 2,186,698

Other Postemployment Benefit Expense and Deferred Outflows/Inflows of Resources Related to Other Postemployment Benefits

For the year ended August 31, 2020, the Authority recognized other postemployment benefit expense of \$439,087. The Authority reported deferred outflows and inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,881,679	\$ -	\$ 1,881,679
Changes in assumptions	-	(2,205,707)	(2,205,707)
Difference between expected and actual experience	146,654	(91,090)	55,564
	<u>2,028,333</u>	<u>(2,296,797)</u>	<u>(268,464)</u>
Contributions subsequent to the measurement date	358,892	-	358,892
Total	<u><u>\$ 2,387,225</u></u>	<u><u>\$ (2,296,797)</u></u>	<u><u>\$ 90,428</u></u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net other postemployment benefit asset for the year ending August 31, 2021. Other amounts reported as net deferred outflows/inflows of resources related to the other postemployment benefit will be recognized in other postemployment benefit expense as follows:

Year Ended August 31,	Amount
2021	\$ 97,427
2022	97,425
2023	106,379
2024	(133,370)
2025	<u>(436,325)</u>
Total	<u><u>\$ (268,464)</u></u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Payable to the Other Postemployment Benefit Plan. At August 31, 2020, the Authority had no payable for contributions to the other postemployment benefit plan.

13. ALLOCATION METHODS

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

14. NET INVESTMENT IN CAPITAL ASSETS

The composition of the Authority's net investment in capital assets as of August 31, 2020 and 2019 was as follows:

	2020	2019
Capital assets:		
Capital assets not being depreciated	\$ 7,615,974	\$ 1,782,679
Capital assets being depreciated, net	<u>179,867,843</u>	<u>189,166,166</u>
	<u>187,483,817</u>	<u>190,948,845</u>
Related debt:		
Deferred charge on refunding	(383,806)	(403,454)
Limited tax obligation bonds	46,376,628	44,922,449
Revenue bonds	13,400,000	14,120,000
Issuance discounts	(210,506)	(243,631)
Issuance premiums	<u>1,743,409</u>	<u>1,916,436</u>
	<u>60,925,725</u>	<u>60,311,800</u>
Net investment in capital assets	<u><u>\$ 126,558,092</u></u>	<u><u>\$ 130,637,045</u></u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

15. SEGMENT INFORMATION

Revenue bonds have been issued through the City to finance certain water and wastewater capital projects. The City and Township divisions are accounted for in a single fund (i.e., the Authority). However, investors in the revenue bonds rely solely on the revenue generated by the City division for repayment. Accordingly, summary information for the City and Township divisions as of and for the year ended August 31, 2020 is presented below.

	Condensed Statement of Net Position		
	City	Township	Totals
Assets			
Current and other assets	\$ 8,679,582	\$ 23,013,675	\$ 31,693,257
Capital assets	58,452,808	129,031,009	187,483,817
Total assets	<u>67,132,390</u>	<u>152,044,684</u>	<u>219,177,074</u>
Deferred outflows of resources	<u>1,692,670</u>	<u>5,219,031</u>	<u>6,911,701</u>
Liabilities			
Long-term debt	19,719,650	43,690,143	63,409,793
Net pension liability	5,455,112	18,324,111	23,779,223
Other liabilities	1,843,931	6,377,185	8,221,116
Total liabilities	<u>27,018,693</u>	<u>68,391,439</u>	<u>95,410,132</u>
Deferred inflows of resources	<u>556,271</u>	<u>1,868,554</u>	<u>2,424,825</u>
Net position			
Net investment			
in capital assets	39,251,318	87,306,774	126,558,092
Restricted	6,533,124	8,189,385	14,722,509
Unrestricted deficit	(4,534,346)	(8,492,437)	(13,026,783)
Total net position	<u>\$ 41,250,096</u>	<u>\$ 87,003,722</u>	<u>\$ 128,253,818</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

	Condensed Statement of Revenues, Expenses and Changes in Net Position						
	City			Township			Totals
	Water	Wastewater	Total	Water	Wastewater	Total	
Operating revenues	\$ 4,610,179	\$ 4,200,320	\$ 8,810,499	\$ 16,380,585	\$ 15,456,094	\$ 31,836,679	\$ 40,647,178
Operating expenses							
Depreciation	928,543	1,360,683	2,289,226	1,758,817	7,767,528	9,526,345	11,815,571
Other operating	2,690,800	3,265,295	5,956,095	12,798,316	13,545,379	26,343,695	32,299,790
	<u>3,619,343</u>	<u>4,625,978</u>	<u>8,245,321</u>	<u>14,557,133</u>	<u>21,312,907</u>	<u>35,870,040</u>	<u>44,115,361</u>
Operating income (loss)	990,836	(425,658)	565,178	1,823,452	(5,856,813)	(4,033,361)	(3,468,183)
Nonoperating revenues (expenses)	(179,575)	(228,423)	(407,998)	(205,269)	(721,285)	(926,554)	(1,334,552)
Capital contributions	-	16,936	16,936	-	88,140	88,140	105,076
Change in net position	<u>\$ 811,261</u>	<u>\$ (637,145)</u>	174,116	<u>\$ 1,618,183</u>	<u>\$ (6,489,958)</u>	(4,871,775)	(4,697,659)
Net position							
Beginning of year			41,075,980			91,875,497	132,951,477
End of year			<u>\$ 41,250,096</u>			<u>\$ 87,003,722</u>	<u>\$ 128,253,818</u>

16. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the Authority's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the Authority for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the Authority's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Required Supplementary Information

Municipal Employees Retirement System of Michigan - Defined Benefit Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ended August 31,		
	2020	2019	2018
Total pension liability			
Service cost	\$ 716,377	\$ 674,280	\$ 645,677
Interest on total pension liability	4,314,729	4,204,347	4,127,204
Benefit changes	-	(63,851)	-
Difference between expected and actual experience	633,935	53,343	(512,109)
Assumption changes	1,707,899	-	-
Benefit payments and refunds	(3,628,953)	(3,389,880)	(3,231,682)
Other changes	-	-	-
Net change in total pension liability	3,743,987	1,478,239	1,029,090
Total pension liability, beginning of year	55,390,375	53,912,136	52,883,046
Total pension liability, end of year	59,134,362	55,390,375	53,912,136
Plan fiduciary net position			
Employer contributions	3,613,597	3,038,002	2,338,685
Employee contributions	379,204	342,890	213,873
Pension plan net investment income (loss)	4,202,282	(1,283,966)	3,817,227
Benefit payments and refunds	(3,628,953)	(3,389,880)	(3,231,682)
Pension plan administrative expense	(72,297)	(62,581)	(60,412)
Net change in plan fiduciary net position	4,493,833	(1,355,535)	3,077,691
Plan fiduciary net position, beginning of year	30,861,306	32,216,841	29,139,150
Plan fiduciary net position, end of year	35,355,139	30,861,306	32,216,841
Net pension liability	\$ 23,779,223	\$ 24,529,069	\$ 21,695,295
Plan fiduciary net position as a percentage of total pension liability	59.79%	55.72%	59.76%
Covered payroll	\$ 7,371,527	\$ 6,970,791	\$ 6,591,541
Net pension liability as a percentage of covered payroll	322.58%	351.88%	329.14%

See notes to required supplementary information.

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Fiscal Year Ended August 31,		
2017	2016	2015
\$ 647,067	\$ 673,845	\$ 701,844
4,019,882	3,741,270	3,727,652
-	-	-
(180,371)	(210,575)	-
-	2,150,127	-
(3,057,059)	(2,894,018)	(2,772,550)
-	116,915	-
1,429,519	3,577,564	1,656,946
51,453,527	47,875,963	46,219,017
52,883,046	51,453,527	47,875,963
1,793,233	1,443,666	1,331,966
-	214,851	221,036
3,060,630	(425,351)	1,785,353
(3,057,059)	(2,894,018)	(2,772,550)
(60,461)	(62,806)	(65,374)
1,736,343	(1,723,658)	500,431
27,402,807	29,126,465	28,626,034
29,139,150	27,402,807	29,126,465
\$ 23,743,896	\$ 24,050,720	\$ 18,749,498

55.10% 53.26% 60.84%

\$ 6,618,831 \$ 6,704,320 \$ 6,907,282

358.73% 358.73% 271.45%

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Required Supplementary Information

Municipal Employees Retirement System of Michigan - Defined Benefit Pension Plan
Schedule of the Net Pension Liability

Fiscal Year Ending August 31,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2020	\$ 59,134,362	\$ 35,355,139	\$ 23,779,223	59.79%	\$ 7,371,527	322.58%
2019	55,390,375	30,861,306	24,529,069	55.72%	6,970,791	351.88%
2018	53,912,136	32,216,841	21,695,295	59.76%	6,591,541	329.14%
2017	52,883,046	29,139,150	23,743,896	55.10%	6,618,831	358.73%
2016	51,453,527	27,402,807	24,050,720	53.26%	6,704,320	358.73%
2015	47,875,963	29,126,465	18,749,498	60.84%	6,907,282	271.45%

See notes to required supplementary information.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Required Supplementary Information

Municipal Employees Retirement System of Michigan - Defined Benefit Pension Plan
Schedule of Contributions

Fiscal Year Ending August 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered Payroll	Contributions as Percentage of Covered Payroll
2020	\$ 3,313,984	\$ 3,313,984	\$ -	\$ 7,724,197	42.90%
2019	3,208,577	3,208,577	-	7,490,351	42.84%
2018	3,003,711	3,003,711	-	7,105,563	42.27%
2017	1,929,047	1,929,047	-	6,842,564	28.19%
2016	1,515,456	1,515,456	-	6,835,505	22.17%
2015	1,408,321	1,408,321	-	7,040,912	20.00%

See notes to required supplementary information.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Required Supplementary Information

Other Postemployment Benefits Plan

Schedule of Changes in Net Other Postemployment Benefit Liability (Asset) and Related Ratios

	Fiscal Year Ended August 31,		
	2020	2019	2018
Total other postemployment benefit liability			
Service cost	\$ 239,894	\$ 224,680	\$ 217,372
Interest on total other postemployment benefit liability	2,122,790	2,048,287	1,994,044
Difference between expected and actual experience	(109,308)	225,926	-
Assumption changes	(2,508,637)	(103,877)	(100,802)
Benefit payments and refunds	(1,310,793)	(1,587,021)	(1,249,001)
Net change in total other postemployment benefit liability	(1,566,054)	807,995	861,613
Total other postemployment benefit liability, beginning of year	27,806,339	26,998,344	26,136,731
Total other postemployment benefit liability, end of year	26,240,285	27,806,339	26,998,344
Plan fiduciary net position			
Employer contributions	1,310,793	1,645,830	1,889,255
Other postemployment benefit plan net investment income	630,118	782,545	1,862,287
Benefit payments and refunds	(1,310,793)	(1,587,021)	(1,249,001)
Other postemployment benefit plan administrative expense	(48,929)	(54,532)	(60,553)
Net change in plan fiduciary net position	581,189	786,822	2,441,988
Plan fiduciary net position, beginning of year	26,733,539	25,946,717	23,504,729
Plan fiduciary net position, end of year	27,314,728	26,733,539	25,946,717
Net other postemployment benefit liability (asset)	\$ (1,074,443)	\$ 1,072,800	\$ 1,051,627
Plan fiduciary net position as a percentage of total other postemployment benefit liability	104.09%	96.14%	96.10%
Covered payroll	\$ 6,921,595	\$ 6,481,158	\$ 6,481,158
Net other postemployment benefit liability (asset) as a percentage of covered payroll	-15.52%	16.55%	16.23%

See notes to required supplementary information.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Required Supplementary Information

Other Postemployment Benefits Plan

Schedule of the Net Other Postemployment Benefit Liability (Asset)

Fiscal Year Ending August 31,	Total Other Post- employment Benefit Liability	Plan Net Position	Net Other Post- employment Benefit Liability (Asset)	Plan Net Position as Percentage of Total Other Post- employment Benefit Liability	Covered Payroll	Net Other Post- employment Benefit Liability (Asset) as Percentage of Covered Payroll
2020	\$ 26,240,285	\$ 27,314,728	\$ (1,074,443)	104.09%	\$ 6,921,595	-15.52%
2019	27,806,339	26,733,539	1,072,800	96.14%	6,481,158	16.55%
2018	26,998,344	25,946,717	1,051,627	96.10%	6,481,158	16.23%

See notes to required supplementary information.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Required Supplementary Information

Other Postemployment Benefits Plan
Schedule of Contributions

Fiscal Year Ending August 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2020	\$ 1,433,865	\$ 1,433,865	\$ -	\$ 7,724,197	18.56%
2019	1,475,147	1,475,147	-	7,490,351	19.69%
2018	1,773,549	1,773,549	-	7,092,754	25.01%

See notes to required supplementary information.

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Notes to Required Supplementary Information

Pension Information

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

The significant changes in assumptions for each of the fiscal years ended August 31 were as follows:

- 2020 - A decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.
- 2016 - The mortality table was adjusted to reflect longer lifetimes; The assumed annual rate of investment return, net of all expenses, was lowered from 8% to 7.75%; The asset smoothing was changed from 10 to 5 years; The amortization period was moved to a fixed period amortization.

The significant benefit changes for each of the fiscal years ended August 31 were as follows:

- 2019 - Employee contributions increased 1%-2%, depending on the group.

Notes to Schedule of Contributions

Valuation Date	Actuarially determined contribution rates are calculated as of the December 31 that is 21 months prior to the beginning of the fiscal year in which contributions are reported.
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Methods and assumptions used to determine contribution rates (2020, based on the 12/31/2017 valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	19 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Normal retirement age	Age 60
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Required Supplementary Information

OPEB Information

GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

The significant changes in assumptions for each of the fiscal years ended August 31 were as follows:

- 2020 - The excise tax of 2.5% was eliminated due to the “Cadillac” tax being eliminated per legislation; The mortality assumption was changed from Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality with MP-2019 Full Generational Improvement to the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-Weighted General Mortality Tables using Scale MP-2020 Full Generational Improvement; Per capita costs, retiree contribution premiums and trends were updated as part of the actuarial evaluation. Manufacturer Rx rebates were valued as an offset to retiree drug costs. The Medicare Part D subsidy is not allowed to be valued as an offset against future costs per GASB standards; The assets earned less than assumed. The rate of return from beginning to end of year measurement date is about 2.4%.
- 2019 - The assumed mortality improvement scale as published by the Society of Actuaries was changed from MP 2017 to MP 2018. (From beginning to end of year FY 2019 measurement MP 2018 was changed to MP 2019.)
- 2018 - The prior valuation utilized a discount rate of 7.0%. It has been clarified the discount rate should be 7.75%; The assumed salary scale was changed from 3% to 2.25% per year; The per capita costs, trend rates and retiree premium contributions were updated as part of the actuarial analysis. These updates produced lower than expected present value costs. The actuary was able to use more YCUA experience in their evaluation; The assumed mortality improvement scale as published by the Society of Actuaries was changed from MP 2016 to MP 2017. (From beginning to end of year FY 2018 measurement MP 2017 was changed to MP 2018.)

Notes to Schedule of Contributions

Valuation Date June 30, 2020

Methods and assumptions used to determine contribution rates (2020, based on the 6/30/2020 valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	20 years
Asset valuation method	5-year smooth market
Healthcare cost trend rate	2.5% per year
Inflation	2.50% per year
Salary increases	2.25% per year
Investment rate of return	7.75%, net of investment expense and including inflation
Retirement age	Assumed rates are based on those used for the Municipal Employees' Retirement System (MERS) of Michigan pension report and the prior YCUA OPEB report. Retirement rates project the probability of eligible employees who will retire during the next year.
Mortality	Mortality rates used were based on the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-Weighted General Mortality Tables using Scale MP-2020 Full Generational Improvement.

SUPPLEMENTARY INFORMATION

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Schedule of Revenues, Expenses and Changes in Net Position

City and Township Allocation

For the Year Ended August 31, 2020

	City	Township	Total
Operating revenues			
Water sales	\$ 4,090,147	\$ 14,327,351	\$ 18,417,498
Sewage disposal sales	3,734,923	12,888,080	16,623,003
Surcharges and other usage fees:			
Capital improvement surcharge	772,326	3,043,411	3,815,737
Construction reserve	54,371	199,569	253,940
Environmental reserve	-	115,466	115,466
Other operating revenue	158,732	1,262,802	1,421,534
Total operating revenues	8,810,499	31,836,679	40,647,178
Operating expenses			
Water distribution	1,673,522	10,144,160	11,817,682
Wastewater treatment	3,111,592	14,848,586	17,960,178
Wastewater pump stations	202,739	1,232,017	1,434,756
Industrial surveillance	86,816	459,887	546,703
Transmission and distribution	2,345,164	5,954,905	8,300,069
Meter service	335,708	1,144,620	1,480,328
Customer accounting and collections	127,900	435,035	562,935
General and administration	361,880	1,650,830	2,012,710
Total operating expenses	8,245,321	35,870,040	44,115,361
Operating income (loss)	565,178	(4,033,361)	(3,468,183)
Nonoperating revenues (expenses)			
Investment earnings	68,459	108,169	176,628
Connection fees	-	95,616	95,616
Interest and amortization expense	(476,457)	(1,137,520)	(1,613,977)
Other nonoperating revenues	-	7,181	7,181
Total nonoperating revenues (expenses)	(407,998)	(926,554)	(1,334,552)
Income (loss) before contributions	157,180	(4,959,915)	(4,802,735)
Capital contributions	16,936	88,140	105,076
Change in net position	174,116	(4,871,775)	(4,697,659)
Net position, beginning of year	41,075,980	91,875,497	132,951,477
Net position, end of year	\$ 41,250,096	\$ 87,003,722	\$ 128,253,818

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Schedule of Revenues, Expenses and Changes in Net Position

Water and Wastewater Allocation

For the Year Ended August 31, 2020

	Water	Wastewater	Total
Operating revenues			
Water sales	\$ 18,417,498	\$ -	\$ 18,417,498
Sewage disposal sales	-	16,623,003	16,623,003
Surcharges and other usage fees:			
Capital improvement surcharge	2,394,503	1,421,234	3,815,737
Construction reserve	74,441	179,499	253,940
Environmental reserve	-	115,466	115,466
Other operating revenue	104,322	1,317,212	1,421,534
Total operating revenues	20,990,764	19,656,414	40,647,178
Operating expenses			
Water distribution	11,817,682	-	11,817,682
Wastewater treatment	-	17,960,178	17,960,178
Wastewater pump stations	-	1,434,756	1,434,756
Industrial surveillance	-	546,703	546,703
Transmission and distribution	4,464,446	3,835,623	8,300,069
Meter service	740,165	740,163	1,480,328
Customer accounting and collections	281,468	281,467	562,935
General and administration	872,715	1,139,995	2,012,710
Total operating expenses	18,176,476	25,938,885	44,115,361
Operating income (loss)	2,814,288	(6,282,471)	(3,468,183)
Nonoperating revenues (expenses)			
Investment earnings	97,406	79,222	176,628
Connection fees	47,808	47,808	95,616
Interest and amortization expense	(530,058)	(1,083,919)	(1,613,977)
Other nonoperating revenues	-	7,181	7,181
Total nonoperating revenues (expenses)	(384,844)	(949,708)	(1,334,552)
Income (loss) before contributions	2,429,444	(7,232,179)	(4,802,735)
Capital contributions	-	105,076	105,076
Change in net position	\$ 2,429,444	\$ (7,127,103)	\$ (4,697,659)

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Schedule of Revenues, Expenses and Changes in Net Position

Water and Wastewater Allocation by Member

For the Year Ended August 31, 2020

	City		
	Water	Wastewater	Total
Operating revenues			
Water sales	\$ 4,090,147	\$ -	\$ 4,090,147
Sewage disposal sales	-	3,734,923	3,734,923
Surcharges and other usage fees:			
Capital improvement surcharge	462,546	309,780	772,326
Construction reserve	11,970	42,401	54,371
Environmental reserve	-	-	-
Other operating revenue	45,516	113,216	158,732
Total operating revenues	4,610,179	4,200,320	8,810,499
Operating expenses			
Water distribution	1,673,522	-	1,673,522
Wastewater treatment	-	3,111,592	3,111,592
Wastewater pump stations	-	202,739	202,739
Industrial surveillance	-	86,816	86,816
Transmission and distribution	1,563,730	781,434	2,345,164
Meter service	167,857	167,851	335,708
Customer accounting and collections	63,951	63,949	127,900
General and administration	150,283	211,597	361,880
Total operating expenses	3,619,343	4,625,978	8,245,321
Operating income (loss)	990,836	(425,658)	565,178
Nonoperating revenues (expenses)			
Investment earnings	36,012	32,447	68,459
Connection fees	-	-	-
Interest and amortization expense	(215,587)	(260,870)	(476,457)
Other nonoperating revenues	-	-	-
Total nonoperating revenues (expenses)	(179,575)	(228,423)	(407,998)
Income (loss) before contributions	811,261	(654,081)	157,180
Capital contributions	-	16,936	16,936
Change in net position	\$ 811,261	\$ (637,145)	\$ 174,116

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Township			
Water	Wastewater	Total	Total
\$ 14,327,351	\$ -	\$ 14,327,351	\$ 18,417,498
-	12,888,080	12,888,080	16,623,003
1,931,957	1,111,454	3,043,411	3,815,737
62,471	137,098	199,569	253,940
-	115,466	115,466	115,466
58,806	1,203,996	1,262,802	1,421,534
<u>16,380,585</u>	<u>15,456,094</u>	<u>31,836,679</u>	<u>40,647,178</u>
10,144,160	-	10,144,160	11,817,682
-	14,848,586	14,848,586	17,960,178
-	1,232,017	1,232,017	1,434,756
-	459,887	459,887	546,703
2,900,716	3,054,189	5,954,905	8,300,069
572,308	572,312	1,144,620	1,480,328
217,517	217,518	435,035	562,935
722,432	928,398	1,650,830	2,012,710
<u>14,557,133</u>	<u>21,312,907</u>	<u>35,870,040</u>	<u>44,115,361</u>
<u>1,823,452</u>	<u>(5,856,813)</u>	<u>(4,033,361)</u>	<u>(3,468,183)</u>
61,394	46,775	108,169	176,628
47,808	47,808	95,616	95,616
(314,471)	(823,049)	(1,137,520)	(1,613,977)
-	7,181	7,181	7,181
<u>(205,269)</u>	<u>(721,285)</u>	<u>(926,554)</u>	<u>(1,334,552)</u>
1,618,183	(6,578,098)	(4,959,915)	(4,802,735)
-	88,140	88,140	105,076
<u>\$ 1,618,183</u>	<u>\$ (6,489,958)</u>	<u>\$ (4,871,775)</u>	<u>\$ (4,697,659)</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2020

	City	Township	Total
Water distribution			
Wages	\$ 59,753	\$ 357,517	\$ 417,270
Benefits allocation	47,651	285,106	332,757
Purchased water	1,506,108	9,011,409	10,517,517
Utilities	14,300	216,626	230,926
Maintenance and supplies	3,139	18,784	21,923
Depreciation	1,399	8,372	9,771
Other	7,389	44,214	51,603
Fleet allocation	1,578	9,443	11,021
Engineering allocation	3,626	21,692	25,318
Information technology allocation	3,658	21,886	25,544
Maintenance allocation	24,921	149,111	174,032
	<u>1,673,522</u>	<u>10,144,160</u>	<u>11,817,682</u>
Wastewater treatment			
Wages	274,845	1,455,915	1,730,760
Benefits allocation	291,271	1,092,065	1,383,336
Utilities	325,843	1,726,072	2,051,915
Sludge removal	45,072	238,756	283,828
Maintenance	230,324	1,220,077	1,450,401
Engineering	5,621	29,777	35,398
Laboratory	2,608	13,809	16,417
Chemicals	91,026	482,185	573,211
Depreciation	1,165,070	6,171,644	7,336,714
Other	35,696	189,090	224,786
Fleet allocation	30,139	205,932	236,071
Engineering allocation	9,371	22,823	32,194
Information technology allocation	30,905	100,962	131,867
Maintenance allocation	528,822	1,661,214	2,190,036
Laboratory allocation	44,979	238,265	283,244
	<u>3,111,592</u>	<u>14,848,586</u>	<u>17,960,178</u>
Wastewater pump stations			
Wages	47,360	250,877	298,237
Benefits allocation	37,946	201,012	238,958
Utilities	70,065	489,247	559,312
Maintenance and supplies	31,770	168,291	200,061
Depreciation	12,554	66,502	79,056
Other	-	39,962	39,962
Engineering allocation	3,044	16,126	19,170
	<u>202,739</u>	<u>1,232,017</u>	<u>1,434,756</u>

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2020

	City	Township	Total
Industrial surveillance			
Wages	\$ 43,653	\$ 231,239	\$ 274,892
Benefits allocation	34,808	184,389	219,197
Other	3,686	19,524	23,210
Fleet allocation	613	3,247	3,860
Information technology allocation	4,056	21,488	25,544
	<u>86,816</u>	<u>459,887</u>	<u>546,703</u>
Transmission and distribution			
Wages	516,466	1,105,601	1,622,067
Benefits allocation	417,036	898,883	1,315,919
Utilities	21,351	45,702	67,053
Sewer overflow settlements	-	142,447	142,447
Maintenance:			
Shop and office	13,061	27,964	41,025
Water and sewer mains	54,107	78,934	133,041
Engineering	1,806	3,867	5,673
Depreciation	1,061,059	3,112,893	4,173,952
Other	93,237	192,638	285,875
Fleet allocation	113,678	243,348	357,026
Engineering allocation	12,168	26,046	38,214
Information technology allocation	29,802	63,197	92,999
Maintenance allocation	11,393	13,385	24,778
	<u>2,345,164</u>	<u>5,954,905</u>	<u>8,300,069</u>
Meter service			
Wages	145,218	493,947	639,165
Benefits allocation	115,915	394,272	510,187
Utilities	556	4,635	5,191
Maintenance and supplies	2,231	7,588	9,819
Meter parts	1,276	4,343	5,619
Depreciation	10,186	34,645	44,831
Other	26,546	90,294	116,840
Fleet allocation	27,976	95,156	123,132
Information technology allocation	5,804	19,740	25,544
	<u>335,708</u>	<u>1,144,620</u>	<u>1,480,328</u>

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2020

	City	Township	Total
Customer accounting and collections			
Wages	\$ 51,967	\$ 176,761	\$ 228,728
Benefits allocation	41,496	141,144	182,640
Utilities	4,148	14,108	18,256
Maintenance and supplies	12,714	43,242	55,956
Postage	10,277	34,958	45,235
Depreciation	876	2,978	3,854
Other	618	2,104	2,722
Information technology allocation	5,804	19,740	25,544
	<u>127,900</u>	<u>435,035</u>	<u>562,935</u>
General and administrative			
Wages	41,011	217,242	258,253
Benefits allocation	32,726	173,354	206,080
Utilities	692	2,352	3,044
Maintenance and supplies	605	3,204	3,809
Building and liability insurance	38,240	202,564	240,804
Legal and settlements	4,135	21,904	26,039
Other professional services	2,449	12,976	15,425
Depreciation	1,865	9,878	11,743
Other	3,037	12,051	15,088
Fleet allocation	2,528	13,392	15,920
Engineering allocation	2,050	10,858	12,908
Information technology allocation	6,085	32,231	38,316
Maintenance allocation	3,291	17,435	20,726
Human resource allocation	134,088	450,431	584,519
Accounting allocation	89,078	470,958	560,036
	<u>361,880</u>	<u>1,650,830</u>	<u>2,012,710</u>
Fleet			
Wages	41,928	135,518	177,446
Benefits allocation	33,467	108,171	141,638
Maintenance parts and supplies	28,807	93,108	121,915
Gas, oil and grease	25,230	81,548	106,778
Insurance	11,233	36,307	47,540
Depreciation	34,107	110,240	144,347
Other	1,740	5,626	7,366
Allocated to various departments	(176,512)	(570,518)	(747,030)
	<u>-</u>	<u>-</u>	<u>-</u>

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2020

	City	Township	Total
Human resources			
Wages	\$ 64,057	\$ 215,173	\$ 279,230
Benefits allocation	51,143	171,793	222,936
Utilities	521	1,773	2,294
Safety program	611	2,052	2,663
Training and education	15	50	65
Legal and professional	1,757	5,902	7,659
Physicals	2,617	8,791	11,408
Office supplies	3,594	12,071	15,665
Other	4,897	16,447	21,344
Information technology allocation	4,876	16,379	21,255
Allocated to general and administrative	(134,088)	(450,431)	(584,519)
	-	-	-
Benefits and payroll taxes			
Health insurance	394,510	1,325,186	1,719,696
Life insurance	5,461	18,343	23,804
Disability insurance	9,253	31,081	40,334
Social security	131,302	441,052	572,354
Workers compensation	27,691	93,018	120,709
Pension expense	851,619	2,860,647	3,712,266
Uniforms	5,353	17,983	23,336
Allocated to various departments	(1,425,189)	(4,787,310)	(6,212,499)
	-	-	-
Maintenance			
Wages	295,441	956,939	1,252,380
Benefits allocation	235,681	763,378	999,059
Utilities	2,296	7,436	9,732
Office and supplies	13,748	44,527	58,275
Other professional services	1,389	4,500	5,889
Depreciation	967	3,133	4,100
Other	838	2,714	3,552
Information technology allocation	18,067	58,518	76,585
Allocated to various departments	(568,427)	(1,841,145)	(2,409,572)
	-	-	-

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2020

	City	Township	Total
Engineering			
Wages	\$ 14,696	\$ 47,373	\$ 62,069
Benefits allocation	11,765	37,924	49,689
Utilities	102	330	432
Maintenance and supplies	460	1,486	1,946
Engineering	12	39	51
Other professional services	2,828	9,115	11,943
Other	396	1,278	1,674
Allocated to various departments	(30,259)	(97,545)	(127,804)
	-	-	-
Information technology			
Wages	35,902	117,929	153,831
Benefits allocation	28,662	94,148	122,810
Utilities	101	331	432
Maintenance and supplies	46,068	151,322	197,390
Other	352	1,155	1,507
Allocated to various departments	(111,085)	(364,885)	(475,970)
	-	-	-
Laboratory			
Wages	18,808	99,631	118,439
Benefits allocation	15,054	79,748	94,802
Utilities	261	1,384	1,645
Maintenance and supplies	8,151	43,174	51,325
Contractual services	1,187	6,287	7,474
Depreciation	680	3,604	4,284
Other	838	4,437	5,275
Allocated to wastewater treatment	(44,979)	(238,265)	(283,244)
	-	-	-
Accounting			
Wages	38,284	202,801	241,085
Benefits allocation	30,568	161,923	192,491
Utilities	310	1,053	1,363
Office supplies	963	5,102	6,065
Audit and accounting services	8,798	46,602	55,400
Depreciation	463	2,456	2,919
Other	7,664	40,277	47,941
Information technology allocation	2,028	10,744	12,772
Allocated to general and administrative	(89,078)	(470,958)	(560,036)
	-	-	-
Total operating expenses	\$ 8,245,321	\$ 35,870,040	\$ 44,115,361

concluded.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

Water and Wastewater Allocation

For the Year Ended August 31, 2020

	Water	Wastewater	Total
Water distribution			
Wages	\$ 417,270	\$ -	\$ 417,270
Benefits allocation	332,757	-	332,757
Purchased water	10,517,517	-	10,517,517
Utilities	230,926	-	230,926
Maintenance and supplies	21,923	-	21,923
Depreciation	9,771	-	9,771
Other	51,603	-	51,603
Fleet allocation	11,021	-	11,021
Engineering allocation	25,318	-	25,318
Information technology allocation	25,544	-	25,544
Maintenance allocation	174,032	-	174,032
	<u>11,817,682</u>	<u>-</u>	<u>11,817,682</u>
Wastewater treatment			
Wages	-	1,730,760	1,730,760
Benefits allocation	-	1,383,336	1,383,336
Utilities	-	2,051,915	2,051,915
Sludge removal	-	283,828	283,828
Maintenance	-	1,450,401	1,450,401
Engineering	-	35,398	35,398
Laboratory	-	16,417	16,417
Chemicals	-	573,211	573,211
Depreciation	-	7,336,714	7,336,714
Other	-	224,786	224,786
Fleet allocation	-	236,071	236,071
Engineering allocation	-	32,194	32,194
Information technology allocation	-	131,867	131,867
Maintenance allocation	-	2,190,036	2,190,036
Laboratory allocation	-	283,244	283,244
	<u>-</u>	<u>17,960,178</u>	<u>17,960,178</u>
Wastewater pump stations			
Wages	-	298,237	298,237
Benefits allocation	-	238,958	238,958
Utilities	-	559,312	559,312
Maintenance and supplies	-	200,061	200,061
Depreciation	-	79,056	79,056
Other	-	39,962	39,962
Engineering allocation	-	19,170	19,170
	<u>-</u>	<u>1,434,756</u>	<u>1,434,756</u>

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

Water and Wastewater Allocation

For the Year Ended August 31, 2020

	Water	Wastewater	Total
Industrial surveillance			
Wages	\$ -	\$ 274,892	\$ 274,892
Benefits allocation	-	219,197	219,197
Other	-	23,210	23,210
Fleet allocation	-	3,860	3,860
Information technology allocation	-	25,544	25,544
	-	546,703	546,703
Transmission and distribution			
Wages	819,306	802,761	1,622,067
Benefits allocation	566,186	749,733	1,315,919
Utilities	33,868	33,185	67,053
Sewer overflow settlements	-	142,447	142,447
Maintenance:			
Shop and office	20,720	20,305	41,025
Water and sewer mains	68,018	65,023	133,041
Engineering	2,865	2,808	5,673
Depreciation	2,604,881	1,569,071	4,173,952
Other	144,550	141,325	285,875
Fleet allocation	130,052	226,974	357,026
Engineering allocation	14,122	24,092	38,214
Information technology allocation	42,335	50,664	92,999
Maintenance allocation	17,543	7,235	24,778
	4,464,446	3,835,623	8,300,069
Meter service			
Wages	319,582	319,583	639,165
Benefits allocation	255,094	255,093	510,187
Utilities	2,596	2,595	5,191
Maintenance and supplies	4,909	4,910	9,819
Meter parts	2,810	2,809	5,619
Depreciation	22,416	22,415	44,831
Other	58,420	58,420	116,840
Fleet allocation	61,566	61,566	123,132
Information technology allocation	12,772	12,772	25,544
	740,165	740,163	1,480,328

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

Water and Wastewater Allocation

For the Year Ended August 31, 2020

	Water	Wastewater	Total
Customer accounting and collections			
Wages	\$ 114,364	\$ 114,364	\$ 228,728
Benefits allocation	91,320	91,320	182,640
Utilities	9,128	9,128	18,256
Maintenance and supplies	27,979	27,977	55,956
Postage	22,618	22,617	45,235
Depreciation	1,927	1,927	3,854
Other	1,360	1,362	2,722
Information technology allocation	12,772	12,772	25,544
	<u>281,468</u>	<u>281,467</u>	<u>562,935</u>
General and administrative			
Wages	129,126	129,127	258,253
Benefits allocation	103,040	103,040	206,080
Utilities	1,522	1,522	3,044
Maintenance and supplies	1,904	1,905	3,809
Building and liability insurance	120,402	120,402	240,804
Legal and settlements	13,019	13,020	26,039
Other professional services	7,712	7,713	15,425
Depreciation	5,871	5,872	11,743
Other	7,544	7,544	15,088
Fleet allocation	7,961	7,959	15,920
Engineering allocation	6,454	6,454	12,908
Information technology allocation	19,158	19,158	38,316
Maintenance allocation	10,363	10,363	20,726
Human resource allocation	158,621	425,898	584,519
Accounting allocation	280,018	280,018	560,036
	<u>872,715</u>	<u>1,139,995</u>	<u>2,012,710</u>
Fleet			
Wages	50,025	127,421	177,446
Benefits allocation	39,930	101,708	141,638
Maintenance parts and supplies	34,369	87,546	121,915
Gas, oil and grease	30,102	76,676	106,778
Insurance	13,402	34,138	47,540
Depreciation	40,694	103,653	144,347
Other	2,078	5,288	7,366
Allocated to various departments	(210,600)	(536,430)	(747,030)
	<u>-</u>	<u>-</u>	<u>-</u>

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

Water and Wastewater Allocation
For the Year Ended August 31, 2020

	Water	Wastewater	Total
Human resources			
Wages	\$ 75,522	\$ 203,708	\$ 279,230
Benefits allocation	60,297	162,639	222,936
Utilities	1,147	1,147	2,294
Safety program	720	1,943	2,663
Training and education	18	47	65
Legal and professional	2,072	5,587	7,659
Physicals	3,086	8,322	11,408
Office supplies	4,237	11,428	15,665
Other	5,773	15,571	21,344
Information technology allocation	5,749	15,506	21,255
Allocated to general and administrative	(158,621)	(425,898)	(584,519)
	-	-	-
Benefits and payroll taxes			
Health insurance	465,121	1,254,575	1,719,696
Life insurance	6,438	17,366	23,804
Disability insurance	10,909	29,425	40,334
Social security	154,803	417,551	572,354
Workers compensation	32,648	88,061	120,709
Pension expense	1,004,045	2,708,221	3,712,266
Uniforms	6,312	17,024	23,336
Allocated to various departments	(1,680,276)	(4,532,223)	(6,212,499)
	-	-	-
Maintenance			
Wages	104,957	1,147,423	1,252,380
Benefits allocation	83,728	915,331	999,059
Utilities	816	8,916	9,732
Office and supplies	4,883	53,392	58,275
Other professional services	494	5,395	5,889
Depreciation	344	3,756	4,100
Other	298	3,254	3,552
Information technology allocation	6,418	70,167	76,585
Allocated to various departments	(201,938)	(2,207,634)	(2,409,572)
	-	-	-

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

Water and Wastewater Allocation

For the Year Ended August 31, 2020

	Water	Wastewater	Total
Engineering			
Wages	\$ 22,289	\$ 39,780	\$ 62,069
Benefits allocation	17,844	31,845	49,689
Utilities	155	277	432
Maintenance and supplies	698	1,248	1,946
Engineering	18	33	51
Other professional services	4,289	7,654	11,943
Other	601	1,073	1,674
Allocated to various departments	(45,894)	(81,910)	(127,804)
	-	-	-
Information technology			
Wages	42,382	111,449	153,831
Benefits allocation	33,835	88,975	122,810
Utilities	119	313	432
Maintenance and supplies	54,383	143,007	197,390
Other	415	1,092	1,507
Allocated to various departments	(131,134)	(344,836)	(475,970)
	-	-	-
Laboratory			
Wages	-	118,439	118,439
Benefits allocation	-	94,802	94,802
Utilities	-	1,645	1,645
Maintenance and supplies	-	51,325	51,325
Contractual services	-	7,474	7,474
Depreciation	-	4,284	4,284
Other	-	5,275	5,275
Allocated to wastewater treatment	-	(283,244)	(283,244)
	-	-	-
Accounting			
Wages	120,543	120,542	241,085
Benefits allocation	96,245	96,246	192,491
Utilities	682	681	1,363
Office supplies	3,033	3,032	6,065
Audit and accounting services	27,700	27,700	55,400
Depreciation	1,459	1,460	2,919
Other	23,970	23,971	47,941
Information technology allocation	6,386	6,386	12,772
Allocated to general and administrative	(280,018)	(280,018)	(560,036)
	-	-	-
Total operating expenses	\$ 18,176,476	\$ 25,938,885	\$ 44,115,361

concluded.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2020

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Water distribution				
Wages	\$ 410,644	\$ 410,644	\$ 417,270	\$ 6,626
Benefits allocation	387,260	387,260	332,757	(54,503)
Purchased water	10,595,450	10,595,450	10,517,517	(77,933)
Utilities	207,500	207,500	230,926	23,426
Maintenance and supplies	60,790	60,790	21,923	(38,867)
Engineering	1,000	1,000	-	(1,000)
Depreciation	1,420	1,420	9,771	8,351
Other	69,100	69,100	51,603	(17,497)
Fleet allocation	18,981	18,981	11,021	(7,960)
Engineering allocation	378	378	25,318	24,940
Information technology allocation	-	-	25,544	25,544
Maintenance allocation	115,713	115,713	174,032	58,319
	<u>11,868,236</u>	<u>11,868,236</u>	<u>11,817,682</u>	<u>(50,554)</u>
Wastewater treatment				
Wages	1,730,655	1,730,655	1,730,760	105
Benefits allocation	2,012,404	2,012,404	1,383,336	(629,068)
Utilities	2,310,850	2,310,850	2,051,915	(258,935)
Sludge removal	760,000	760,000	283,828	(476,172)
Maintenance	1,131,050	1,131,050	1,450,401	319,351
Engineering	40,000	40,000	35,398	(4,602)
Laboratory	23,650	23,650	16,417	(7,233)
Chemicals	650,000	650,000	573,211	(76,789)
Depreciation	6,942,171	6,942,171	7,336,714	394,543
Other	434,100	434,100	224,786	(209,314)
Fleet allocation	303,408	303,408	236,071	(67,337)
Engineering allocation	49,167	49,167	32,194	(16,973)
Information technology allocation	113,129	113,129	131,867	18,738
Maintenance allocation	2,270,952	2,270,952	2,190,036	(80,916)
Laboratory allocation	472,567	472,567	283,244	(189,323)
	<u>19,244,103</u>	<u>19,244,103</u>	<u>17,960,178</u>	<u>(1,283,925)</u>
Wastewater pump stations				
Wages	396,463	396,463	298,237	(98,226)
Benefits allocation	352,750	352,750	238,958	(113,792)
Utilities	428,450	428,450	559,312	130,862
Maintenance and supplies	198,000	198,000	200,061	2,061
Engineering	500	500	-	(500)
Depreciation	11,496	11,496	79,056	67,560
Other	35,000	35,000	39,962	4,962
Engineering allocation	3,946	3,946	19,170	15,224
	<u>1,426,605</u>	<u>1,426,605</u>	<u>1,434,756</u>	<u>8,151</u>

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2020

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Industrial surveillance				
Wages	\$ 175,071	\$ 175,071	\$ 274,892	\$ 99,821
Benefits allocation	155,768	155,768	219,197	63,429
Other	46,575	46,575	23,210	(23,365)
Fleet allocation	12,645	12,645	3,860	(8,785)
Information technology allocation	21,892	21,892	25,544	3,652
	<u>411,951</u>	<u>411,951</u>	<u>546,703</u>	<u>134,752</u>
Transmission and distribution				
Wages	1,587,953	1,587,953	1,622,067	34,114
Benefits allocation	1,412,870	1,412,870	1,315,919	(96,951)
Utilities	62,000	62,000	67,053	5,053
Sewer overflow settlements	85,000	85,000	142,447	57,447
Maintenance:				
Shop and office	36,450	36,450	41,025	4,575
Water and sewer mains	215,750	215,750	133,041	(82,709)
Engineering	1,000	1,000	5,673	4,673
Depreciation	4,525,000	4,525,000	4,173,952	(351,048)
Other	272,500	272,500	285,875	13,375
Fleet allocation	391,105	391,105	357,026	(34,079)
Engineering allocation	124,668	124,668	38,214	(86,454)
Information technology allocation	80,273	80,273	92,999	12,726
Maintenance allocation	30,649	30,649	24,778	(5,871)
	<u>8,825,218</u>	<u>8,825,218</u>	<u>8,300,069</u>	<u>(525,149)</u>
Meter service				
Wages	591,545	591,545	639,165	47,620
Benefits allocation	526,323	526,323	510,187	(16,136)
Utilities	10,500	10,500	5,191	(5,309)
Maintenance and supplies	7,850	7,850	9,819	1,969
Meter parts	23,000	23,000	5,619	(17,381)
Depreciation	40,925	40,925	44,831	3,906
Other	7,500	7,500	116,840	109,340
Fleet allocation	88,751	88,751	123,132	34,381
Information technology allocation	21,892	21,892	25,544	3,652
	<u>1,318,286</u>	<u>1,318,286</u>	<u>1,480,328</u>	<u>162,042</u>

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2020

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Customer accounting/collections				
Wages	\$ 248,455	\$ 248,455	\$ 228,728	\$ (19,727)
Benefits allocation	221,061	221,061	182,640	(38,421)
Utilities	22,000	22,000	18,256	(3,744)
Maintenance and supplies	42,350	42,350	55,956	13,606
Postage	60,000	60,000	45,235	(14,765)
Depreciation	8,136	8,136	3,854	(4,282)
Other	10,450	10,450	2,722	(7,728)
Information technology allocation	21,892	21,892	25,544	3,652
	<u>634,344</u>	<u>634,344</u>	<u>562,935</u>	<u>(71,409)</u>
General and administrative				
Wages	203,956	203,956	258,253	54,297
Benefits allocation	1,332,135	1,332,135	206,080	(1,126,055)
Utilities	4,750	4,750	3,044	(1,706)
Maintenance and supplies	3,200	3,200	3,809	609
Building and liability insurance	190,000	190,000	240,804	50,804
Legal and settlements	75,000	75,000	26,039	(48,961)
Other professional services	-	-	15,425	15,425
Depreciation	2,000	2,000	11,743	9,743
Other	59,825	59,825	15,088	(44,737)
Bad debt expense	22,000	22,000	-	(22,000)
Fleet allocation	31,598	31,598	15,920	(15,678)
Engineering allocation	60,981	60,981	12,908	(48,073)
Information technology allocation	36,487	36,487	38,316	1,829
Maintenance allocation	210	210	20,726	20,516
Human resource allocation	592,916	592,916	584,519	(8,397)
Accounting allocation	557,751	557,751	560,036	2,285
	<u>3,172,809</u>	<u>3,172,809</u>	<u>2,012,710</u>	<u>(1,160,099)</u>
Fleet				
Wages	185,051	185,051	177,446	(7,605)
Benefits allocation	164,648	164,648	141,638	(23,010)
Radio maintenance	500	500	-	(500)
Maintenance parts and supplies	142,050	142,050	121,915	(20,135)
Gas, oil and grease	170,000	170,000	106,778	(63,222)
Insurance	48,000	48,000	47,540	(460)
Depreciation	128,738	128,738	144,347	15,609
Other	7,500	7,500	7,366	(134)
Allocated to various departments	(846,487)	(846,487)	(747,030)	99,457
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2020

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Human resources				
Wages	\$ 261,315	\$ 261,315	\$ 279,230	\$ 17,915
Benefits allocation	250,725	250,725	222,936	(27,789)
Utilities	1,800	1,800	2,294	494
Safety program	3,500	3,500	2,663	(837)
Training and education	6,000	6,000	65	(5,935)
Legal and professional	15,000	15,000	7,659	(7,341)
Physicals	8,000	8,000	11,408	3,408
Office supplies	3,750	3,750	15,665	11,915
Depreciation	3,556	3,556	-	(3,556)
Other	39,270	39,270	21,344	(17,926)
Information technology allocation	-	-	21,255	21,255
Allocated to general and administrative	(592,916)	(592,916)	(584,519)	8,397
	-	-	-	-
Benefits and payroll taxes				
Health insurance	3,064,780	3,064,780	1,719,696	(1,345,084)
Life insurance	25,282	25,282	23,804	(1,478)
Disability insurance	47,096	47,096	40,334	(6,762)
Social security	542,454	542,454	572,354	29,900
Workers compensation	122,234	122,234	120,709	(1,525)
Pension expense	3,000,000	3,000,000	3,712,266	712,266
Uniforms	23,750	23,750	23,336	(414)
Allocated to various departments	(6,825,596)	(6,825,596)	(6,212,499)	613,097
	-	-	-	-
Maintenance				
Wages	1,202,371	1,202,371	1,252,380	50,009
Benefits allocation	1,135,477	1,135,477	999,059	(136,418)
Utilities	4,400	4,400	9,732	5,332
Office and supplies	50,675	50,675	58,275	7,600
Other professional services	2,500	2,500	5,889	3,389
Depreciation	4,100	4,100	4,100	-
Other	18,000	18,000	3,552	(14,448)
Information technology allocation	-	-	76,585	76,585
Allocated to various departments	(2,417,523)	(2,417,523)	(2,409,572)	7,951
	-	-	-	-

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2020

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Engineering				
Wages	\$ 100,260	\$ 100,260	\$ 62,069	\$ (38,191)
Benefits allocation	89,205	89,205	49,689	(39,516)
Utilities	2,000	2,000	432	(1,568)
Maintenance and supplies	25,625	25,625	1,946	(23,679)
Engineering	10,000	10,000	51	(9,949)
Other professional services	10,000	10,000	11,943	1,943
Other	2,050	2,050	1,674	(376)
Allocated to various departments	(239,140)	(239,140)	(127,804)	111,336
	-	-	-	-
Information Technology				
Wages	143,646	143,646	153,831	10,185
Benefits allocation	127,808	127,808	122,810	(4,998)
Utilities	2,400	2,400	432	(1,968)
Maintenance and supplies	136,300	136,300	197,390	61,090
Other	2,125	2,125	1,507	(618)
Allocated to various departments	(412,279)	(412,279)	(475,970)	(63,691)
	-	-	-	-
Laboratory				
Wages	210,850	210,850	118,439	(92,411)
Benefits allocation	187,602	187,602	94,802	(92,800)
Utilities	3,500	3,500	1,645	(1,855)
Maintenance and supplies	35,050	35,050	51,325	16,275
Contractual services	25,300	25,300	7,474	(17,826)
Depreciation	4,285	4,285	4,284	(1)
Other	5,980	5,980	5,275	(705)
Allocated to wastewater treatment	(472,567)	(472,567)	(283,244)	189,323
	-	-	-	-
Accounting				
Wages	223,193	223,193	241,085	17,892
Benefits allocation	198,584	198,584	192,491	(6,093)
Utilities	1,350	1,350	1,363	13
Office supplies	6,650	6,650	6,065	(585)
Audit and accounting services	61,000	61,000	55,400	(5,600)
Depreciation	5,549	5,549	2,919	(2,630)
Other	50,500	50,500	47,941	(2,559)
Information technology allocation	10,925	10,925	12,772	1,847
Allocated to general and administrative	(557,751)	(557,751)	(560,036)	(2,285)
	-	-	-	-
Total operating expenses	<u>\$ 46,901,552</u>	<u>\$ 46,901,552</u>	<u>\$ 44,115,361</u>	<u>\$ (2,786,191)</u>

concluded.

STATISTICAL SECTION

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Statistical Section Table of Contents

This part of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

		<u>Page</u>
Financial Trends Schedules 1-4	These schedules contain trend information to help the reader understand and evaluate how the Authority's financial condition, performance and well-being have changed over time.	86
Revenue Capacity Schedules 5-6	These schedules contain information to help the reader assess the Authority's ability to generate its most significant local revenue source, usage fees.	94
Debt Capacity Schedules 7-8	These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and its ability to issue additional debt in the future.	98

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Net Position - Unaudited

Last Ten Fiscal Years Ended August 31

	2020	2019	2018	2017
Assets				
Current assets:				
Cash and investments	\$ 4,468,972	\$ 7,182,648	\$ 11,571,335	\$ 7,462,754
Receivables, net	11,011,602	6,877,612	5,202,692	5,886,845
Inventories	1,379,721	1,356,111	1,308,354	1,244,573
Prepaid items	78,891	84,615	63,177	66,928
Total current assets	16,939,186	15,500,986	18,145,558	14,661,100
Noncurrent assets:				
Restricted assets:				
Cash and investments	11,070,455	10,317,690	10,068,302	10,085,571
Bond reserve funds held by City of Ypsilanti	2,487,183	2,449,847	2,449,847	2,449,847
Receivables, long-term portion	121,990	108,793	167,404	201,813
Capital assets not being depreciated	7,615,974	1,782,679	7,473,054	6,757,861
Capital assets being depreciated, net	179,867,843	189,166,166	190,122,199	198,218,261
Net other postemployment benefit asset	1,074,443	-	-	-
Unamortized bond issuance costs	-	-	-	-
Total noncurrent assets	202,237,888	203,825,175	210,280,806	217,713,353
Total assets	219,177,074	219,326,161	228,426,364	232,374,453
Deferred outflows of resources				
Deferred pension amounts [1]	4,140,670	5,504,032	3,199,192	3,757,182
Deferred other postemployment benefit amounts [2]	2,387,225	1,516,214	288,503	-
Deferred charge on refunding	383,806	403,454	475,864	548,273
Total deferred outflows of resources	6,911,701	7,423,700	3,963,559	4,305,455
Liabilities				
Current liabilities:				
Accounts payable	5,386,251	2,904,283	3,280,914	3,465,874
Retentions, deposits and other liabilities	1,670,821	1,069,593	1,558,475	2,361,163
Accrued interest payable	713,525	554,634	592,033	614,418
Unearned revenue	450,519	524,548	598,577	-
Current maturities of long-term debt	6,401,567	4,577,289	4,467,065	4,146,842
Current maturities of accrued compensated absences	529,403	446,200	437,409	443,814
Total current liabilities	15,152,086	10,076,547	10,934,473	11,032,111
Noncurrent liabilities:				
Long term debt:				
Bonds payable	55,357,964	56,587,965	61,109,778	64,592,710
Environmental liability	591,456	591,456	591,456	591,456
Accrued compensated absences	529,403	446,200	437,409	443,813
Net pension liability [1]	23,779,223	24,529,069	21,695,295	23,743,896
Net other postemployment benefit liability [2]	-	1,072,800	1,051,627	-
Total noncurrent liabilities	80,258,046	83,227,490	84,885,565	89,371,875
Total liabilities	95,410,132	93,304,037	95,820,038	100,403,986
Deferred inflows of resources				
Deferred pension amounts [1]	128,028	343,262	1,137,789	261,623
Deferred other postemployment benefit amounts [2]	2,296,797	151,085	97,683	-
Total deferred inflows of resources	2,424,825	494,347	1,235,472	261,623
Net position				
Net investment in capital assets	126,558,092	130,637,045	132,944,274	137,234,843
Restricted for special purposes	14,722,509	12,767,537	12,518,149	12,535,418
Unrestricted (deficit)	(13,026,783)	(10,453,105)	(10,128,010)	(13,755,962)
Total net position	\$ 128,253,818	\$ 132,951,477	\$ 135,334,413	\$ 136,014,299

[1] GASB 68 implemented in fiscal 2015.

[2] GASB 75 implemented in fiscal 2018.

Table 1

2016	2015	2014	2013	2012	2011
\$ 5,028,900	\$ 4,597,931	\$ 5,627,411	\$ 6,694,067	\$ 9,673,074	\$ 8,596,980
5,764,178	6,360,948	5,752,726	5,170,802	6,123,153	5,538,276
1,133,694	1,091,034	1,057,086	1,069,510	1,143,691	1,037,421
60,913	71,034	366,994	379,129	118,202	112,701
11,987,685	12,120,947	12,804,217	13,313,508	17,058,120	15,285,378
9,240,696	9,186,686	9,986,612	10,547,445	10,396,426	10,771,401
2,449,847	2,641,709	2,641,709	2,641,709	2,818,781	2,814,790
226,324	248,007	273,460	292,526	244,318	356,640
4,384,763	7,195,157	6,630,946	8,248,464	10,905,836	7,965,374
206,566,465	211,538,034	218,508,207	220,965,939	216,753,174	224,347,474
-	-	-	-	-	-
-	-	-	-	1,156,689	1,182,899
222,868,095	230,809,593	238,040,934	242,696,083	242,275,224	247,438,578
234,855,780	242,930,540	250,845,151	256,009,591	259,333,344	262,723,956
5,208,480	1,357,946	-	-	-	-
-	-	-	-	-	-
720,741	484,375	-	-	-	-
5,929,221	1,842,321	-	-	-	-
3,016,052	3,091,399	2,694,691	2,480,027	3,538,756	2,322,633
2,010,992	2,187,708	2,076,998	2,767,556	2,199,221	2,029,486
639,426	612,506	993,506	540,782	626,001	607,277
-	-	-	-	-	-
3,856,098	3,762,602	4,672,205	3,588,723	3,043,240	2,755,016
598,206	579,235	521,502	533,585	591,241	679,744
10,120,774	10,233,450	10,958,902	9,910,673	9,998,459	8,394,156
65,891,389	68,232,336	69,848,604	70,236,288	65,337,620	64,349,878
591,456	591,456	591,456	591,456	591,456	591,456
598,206	579,234	521,502	533,585	591,241	679,744
24,050,720	18,749,498	-	-	-	-
-	-	-	-	-	-
91,131,771	88,152,524	70,961,562	71,361,329	66,520,317	65,621,078
101,252,545	98,385,974	81,920,464	81,272,002	76,518,776	74,015,234
168,460	-	-	-	-	-
-	-	-	-	-	-
168,460	-	-	-	-	-
142,374,482	147,188,253	151,068,344	155,839,392	159,728,150	165,657,954
11,690,543	11,828,395	12,628,321	13,189,154	13,215,207	13,586,191
(14,701,029)	(12,629,761)	5,228,022	5,709,043	9,871,211	9,464,577
\$ 139,363,996	\$ 146,386,887	\$ 168,924,687	\$ 174,737,589	\$ 182,814,568	\$ 188,708,722

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Revenues and Expenses - Unaudited

Last Ten Fiscal Years Ended August 31

	2020	2019	2018	2017
Operating revenues				
Water sales	\$ 18,417,498	\$ 18,879,901	\$ 18,520,302	\$ 17,650,152
Sewage disposal sales	16,623,003	18,416,240	19,138,366	18,256,939
Surcharges and other usage fees	4,185,143	1,604,042	4,183,629	4,110,517
Other operating revenue	1,421,534	1,546,842	1,891,908	2,027,776
Total operating revenues	<u>40,647,178</u>	<u>40,447,025</u>	<u>43,734,205</u>	<u>42,045,384</u>
Operating expenses				
Water distribution	11,817,682	11,439,057	12,144,581	12,161,179
Wastewater treatment	17,960,178	17,741,510	16,383,759	17,754,991
Wastewater pump stations	1,434,756	1,293,266	1,190,581	1,468,251
Industrial surveillance	546,703	322,868	391,466	518,743
Transmission and distribution	8,300,069	8,888,368	7,717,835	8,233,710
Meter service	1,480,328	1,357,652	1,039,549	1,343,907
Customer accounting and collections	562,935	592,279	470,545	680,123
General and administration	2,012,710	1,767,466	1,810,616	2,008,192
Total operating expenses	<u>44,115,361</u>	<u>43,402,466</u>	<u>41,148,932</u>	<u>44,169,096</u>
Operating income (loss)	<u>(3,468,183)</u>	<u>(2,955,441)</u>	<u>2,585,273</u>	<u>(2,123,712)</u>
Nonoperating revenues (expenses)				
Investment earnings	176,628	255,762	173,521	178,601
Connection fees	95,616	102,434	86,958	102,322
Interest and amortization expense	(1,613,977)	(1,749,872)	(1,872,822)	(2,097,371)
Other nonoperating revenues	7,181	723	1,299	4,993
Cost to dispose of capital assets	-	-	-	-
Total nonoperating revenues (expenses)	<u>(1,334,552)</u>	<u>(1,390,953)</u>	<u>(1,611,044)</u>	<u>(1,811,455)</u>
Income (loss) before contributions and special item	<u>\$ (4,802,735)</u>	<u>\$ (4,346,394)</u>	<u>\$ 974,229</u>	<u>\$ (3,935,167)</u>

Table 2

2016	2015	2014	2013	2012	2011
\$ 17,115,849	\$ 14,774,886	\$ 14,568,698	\$ 13,917,141	\$ 14,548,680	\$ 13,148,378
16,226,170	15,986,337	14,855,053	14,325,974	14,479,442	14,805,649
4,213,478	3,969,419	4,016,188	3,915,923	3,890,623	3,757,175
1,626,119	1,578,254	1,560,864	1,627,364	1,598,545	1,635,819
<u>39,181,616</u>	<u>36,308,896</u>	<u>35,000,803</u>	<u>33,786,402</u>	<u>34,517,290</u>	<u>33,347,021</u>
11,684,881	10,070,350	9,908,197	9,483,636	9,036,006	7,792,536
17,818,636	17,278,603	15,860,564	16,150,407	16,249,549	16,017,852
1,283,745	1,241,368	1,136,517	1,285,808	1,620,234	1,027,107
441,557	417,299	379,784	422,880	393,651	368,906
8,693,576	7,981,764	7,698,787	7,290,247	7,071,733	6,706,413
1,314,851	1,151,856	1,074,717	1,099,771	1,280,659	1,229,452
681,598	645,635	670,487	673,930	594,560	641,919
1,954,380	1,872,990	1,807,617	1,805,957	1,788,764	2,511,663
<u>43,873,224</u>	<u>40,659,865</u>	<u>38,536,670</u>	<u>38,212,636</u>	<u>38,035,156</u>	<u>36,295,848</u>
<u>(4,691,608)</u>	<u>(4,350,969)</u>	<u>(3,535,867)</u>	<u>(4,426,234)</u>	<u>(3,517,866)</u>	<u>(2,948,827)</u>
166,363	168,048	168,262	187,826	212,126	237,628
57,171	20,712	34,051	68,551	35,250	2,304
(2,367,830)	(2,320,778)	(2,500,935)	(2,671,012)	(2,757,137)	(2,769,043)
-	-	21,587	12,871	1,694	31,117
(835,873)	-	-	-	-	-
<u>(2,980,169)</u>	<u>(2,132,018)</u>	<u>(2,277,035)</u>	<u>(2,401,764)</u>	<u>(2,508,067)</u>	<u>(2,497,994)</u>
<u>\$ (7,671,777)</u>	<u>\$ (6,482,987)</u>	<u>\$ (5,812,902)</u>	<u>\$ (6,827,998)</u>	<u>\$ (6,025,933)</u>	<u>\$ (5,446,821)</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Revenues and Expenses - City Division - Unaudited

Last Ten Fiscal Years Ended August 31

	2020	2019	2018	2017
Operating revenues				
Water sales	\$ 4,090,147	\$ 4,439,273	\$ 2,905,530	\$ 2,860,296
Sewage disposal sales	3,734,923	3,985,786	3,979,905	3,756,937
Surcharges and other usage fees	826,697	410,629	3,175,456	3,196,778
Other operating revenue	158,732	245,489	324,932	363,276
Total operating revenues	<u>8,810,499</u>	<u>9,081,177</u>	<u>10,385,823</u>	<u>10,177,287</u>
Operating expenses				
Water distribution	1,673,522	1,799,055	1,896,372	1,902,930
Wastewater treatment	3,111,592	4,140,868	3,969,782	4,302,035
Wastewater pump stations	202,739	267,097	256,074	316,680
Industrial surveillance	86,816	75,356	94,851	125,690
Transmission and distribution	2,345,164	1,984,288	1,977,703	2,188,225
Meter service	335,708	308,925	237,252	307,488
Customer accounting and collections	127,900	134,863	107,567	155,679
General and administration	361,880	409,661	433,522	486,320
Total operating expenses	<u>8,245,321</u>	<u>9,120,113</u>	<u>8,973,123</u>	<u>9,785,047</u>
Operating income (loss)	<u>565,178</u>	<u>(38,936)</u>	<u>1,412,700</u>	<u>392,240</u>
Nonoperating revenues (expenses)				
Investment earnings	68,459	94,972	51,730	61,545
Connection fees	-	-	11,233	-
Interest and amortization expense	(476,457)	(558,994)	(629,691)	(716,955)
Other nonoperating revenues	-	-	-	-
Total nonoperating revenues (expenses)	<u>(407,998)</u>	<u>(464,022)</u>	<u>(566,728)</u>	<u>(655,410)</u>
Income (loss) before contributions and special item	<u>\$ 157,180</u>	<u>\$ (502,958)</u>	<u>\$ 845,972</u>	<u>\$ (263,170)</u>

Table 3

2016	2015	2014	2013	2012	2011
\$ 2,832,507	\$ 2,527,857	\$ 2,503,790	\$ 2,321,846	\$ 2,350,010	\$ 2,117,075
3,403,404	3,280,032	3,104,609	2,971,752	2,976,710	3,210,681
3,272,842	3,089,769	3,158,410	3,018,037	3,007,247	2,905,733
252,063	293,374	364,012	381,369	397,267	410,163
<u>9,760,816</u>	<u>9,191,032</u>	<u>9,130,821</u>	<u>8,693,004</u>	<u>8,731,234</u>	<u>8,643,652</u>
1,896,746	1,750,111	1,688,754	1,735,094	1,495,435	1,220,447
4,151,739	3,968,895	3,508,358	3,627,379	3,622,023	3,757,790
260,521	262,208	238,960	278,352	308,345	199,909
102,883	95,854	84,008	94,978	87,743	86,546
2,248,677	2,114,593	1,914,907	1,827,963	1,927,194	1,812,792
302,974	266,589	249,079	255,760	296,564	284,591
157,109	149,463	155,419	156,756	137,699	148,668
460,658	434,869	406,429	397,109	391,822	585,766
<u>9,581,307</u>	<u>9,042,582</u>	<u>8,245,914</u>	<u>8,373,391</u>	<u>8,266,825</u>	<u>8,096,509</u>
179,509	148,450	884,907	319,613	464,409	547,143
54,419	61,501	61,573	69,325	72,503	77,554
-	-	-	200	9,354	-
(863,381)	(925,881)	(989,579)	(1,267,179)	(1,226,770)	(1,263,478)
-	-	-	-	-	8,744
<u>(808,962)</u>	<u>(864,380)</u>	<u>(928,006)</u>	<u>(1,197,654)</u>	<u>(1,144,913)</u>	<u>(1,177,180)</u>
<u>\$ (629,453)</u>	<u>\$ (715,930)</u>	<u>\$ (43,099)</u>	<u>\$ (878,041)</u>	<u>\$ (680,504)</u>	<u>\$ (630,037)</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Revenues and Expenses - Township Division - Unaudited

Last Ten Fiscal Years Ended August 31

	2020	2019	2018	2017
Operating revenues				
Water sales	\$ 14,327,351	\$ 14,440,628	\$ 15,614,772	\$ 14,789,856
Sewage disposal sales	12,888,080	14,430,454	15,158,461	14,500,002
Surcharges and other usage fees	3,358,446	1,193,413	1,008,173	913,739
Other operating revenue	1,262,802	1,301,353	1,566,976	1,664,500
Total operating revenues	<u>31,836,679</u>	<u>31,365,848</u>	<u>33,348,382</u>	<u>31,868,097</u>
Operating expenses				
Water distribution	10,144,160	9,640,002	10,248,209	10,258,249
Wastewater treatment	14,848,586	13,600,642	12,413,977	13,452,956
Wastewater pump stations	1,232,017	1,026,169	934,507	1,151,571
Industrial surveillance	459,887	247,512	296,615	393,053
Transmission and distribution	5,954,905	6,904,080	5,740,132	6,045,485
Meter service	1,144,620	1,048,727	802,297	1,036,419
Customer accounting and collections	435,035	457,416	362,978	524,444
General and administration	1,650,830	1,357,805	1,377,094	1,521,872
Total operating expenses	<u>35,870,040</u>	<u>34,282,353</u>	<u>32,175,809</u>	<u>34,384,049</u>
Operating income (loss)	<u>(4,033,361)</u>	<u>(2,916,505)</u>	<u>1,172,573</u>	<u>(2,515,952)</u>
Nonoperating revenues (expenses)				
Investment earnings	108,169	160,790	121,791	117,056
Connection fees	95,616	102,434	75,725	102,322
Interest and amortization expense	(1,137,520)	(1,190,878)	(1,243,131)	(1,380,416)
Other nonoperating revenues	7,181	723	1,299	4,993
Cost to dispose of capital assets	-	-	-	-
Total nonoperating expenses	<u>(926,554)</u>	<u>(926,931)</u>	<u>(1,044,316)</u>	<u>(1,156,045)</u>
Income (loss) before contributions and special item	<u>\$ (4,959,915)</u>	<u>\$ (3,843,436)</u>	<u>\$ 128,257</u>	<u>\$ (3,671,997)</u>

Table 4

2016	2015	2014	2013	2012	2011
\$ 14,283,342	\$ 12,247,029	\$ 12,064,908	\$ 11,595,295	\$ 12,198,670	\$ 11,031,303
12,822,766	12,706,305	11,750,444	11,354,222	11,502,732	11,594,968
940,636	879,650	857,778	897,886	883,376	851,442
1,374,056	1,284,880	1,196,852	1,245,995	1,201,278	1,225,656
29,420,800	27,117,864	25,869,982	25,093,398	25,786,056	24,703,369
9,788,135	8,320,239	8,219,443	7,748,542	7,540,571	6,572,089
13,666,897	13,309,708	12,352,206	12,523,028	12,627,526	12,260,062
1,023,224	979,160	897,557	1,007,456	1,311,889	827,198
338,674	321,445	295,776	327,902	305,908	282,360
6,444,899	5,867,171	5,783,880	5,462,284	5,144,539	4,893,621
1,011,877	885,267	825,638	844,011	984,095	944,861
524,489	496,172	515,068	517,174	456,861	493,251
1,493,722	1,438,121	1,401,188	1,408,848	1,396,942	1,925,897
34,291,917	31,617,283	30,290,756	29,839,245	29,768,331	28,199,339
(4,871,117)	(4,499,419)	(4,420,774)	(4,745,847)	(3,982,275)	(3,495,970)
111,944	106,547	106,689	118,501	139,623	160,074
57,171	20,712	34,051	68,351	25,896	2,304
(1,504,449)	(1,394,897)	(1,511,356)	(1,403,833)	(1,530,367)	(1,505,565)
-	-	21,587	12,871	1,694	22,373
(835,873)	-	-	-	-	-
(2,171,207)	(1,267,638)	(1,349,029)	(1,204,110)	(1,363,154)	(1,320,814)
\$ (7,042,324)	\$ (5,767,057)	\$ (5,769,803)	\$ (5,949,957)	\$ (5,345,429)	\$ (4,816,784)

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Revenues - Unaudited

Last Ten Fiscal Years Ended August 31

	2020	2019	2018	2017
Water revenues				
Operating:				
City bi-monthly	\$ 2,777,878	\$ 2,673,356	\$ 2,151,608	\$ 2,112,225
Township bi-monthly	5,291,261	5,085,661	7,042,900	6,765,633
City monthly	841,824	964,293	837,172	846,663
Township monthly	1,123,417	1,040,347	1,115,386	1,169,047
Contract	7,360,055	6,917,449	7,373,236	6,876,635
Ready to serve/surcharge	3,435,493	2,949,014	2,222,062	2,108,869
Other	104,322	182,994	271,520	152,914
Total operating	20,934,250	19,813,114	21,013,884	20,031,986
Interest	97,406	143,838	102,615	23,607
Other	104,322	51,216	43,480	28,585
Total water revenues	\$ 21,135,978	\$ 20,008,168	\$ 21,159,979	\$ 20,084,178
Wastewater revenues				
Operating:				
City bi-monthly	\$ 1,427,405	\$ 1,531,631	\$ 1,864,488	\$ 1,698,899
Township bi-monthly	3,107,677	3,646,163	4,898,722	4,703,050
City monthly	505,159	425,300	507,890	639,660
Township monthly	465,153	460,315	564,526	967,651
Contract	10,182,441	11,189,839	11,302,740	9,968,705
Ready to serve/surcharge	2,658,548	1,628,921	1,585,688	1,719,838
Other	1,317,212	1,751,743	1,996,267	1,874,862
Total operating	19,663,595	20,633,912	22,720,321	21,572,665
Interest	79,222	111,924	70,906	33,097
Other	47,808	51,940	44,777	28,586
Total wastewater revenues	\$ 19,790,625	\$ 20,797,776	\$ 22,836,004	\$ 21,634,348

Table 5

2016	2015	2014	2013	2012	2011
\$ 2,009,546	\$ 1,832,901	\$ 1,786,477	\$ 1,721,085	\$ 1,650,904	\$ 1,544,421
6,453,602	5,687,099	5,658,125	5,573,869	5,662,740	5,119,358
899,828	732,640	788,216	720,470	728,260	644,570
2,307,817	1,061,206	1,044,372	1,049,638	1,007,896	1,041,872
5,445,055	5,461,040	5,291,508	4,852,079	5,498,880	4,798,157
2,160,761	2,028,003	2,061,169	1,987,468	1,941,825	1,740,618
272,332	256,839	294,630	287,814	282,321	242,100
19,548,941	17,059,728	16,924,497	16,192,423	16,772,826	15,131,096
95,065	95,556	95,765	106,614	119,360	126,812
28,585	10,356	17,026	34,275	17,625	1,152
<u>\$ 19,672,591</u>	<u>\$ 17,165,640</u>	<u>\$ 17,037,288</u>	<u>\$ 16,333,312</u>	<u>\$ 16,909,811</u>	<u>\$ 15,259,060</u>
\$ 1,638,121	\$ 1,557,237	\$ 1,516,145	\$ 1,482,505	\$ 1,444,198	\$ 1,387,389
4,531,609	4,221,211	4,190,298	4,077,488	4,130,127	3,965,222
560,030	509,095	542,493	503,122	492,530	464,403
853,425	837,588	806,097	657,324	720,562	1,013,058
8,642,986	8,861,206	7,800,020	7,605,536	7,692,024	7,975,576
1,669,170	1,568,067	1,590,352	1,559,142	1,555,247	1,633,626
1,737,334	1,694,764	1,630,901	1,708,863	1,709,775	1,776,650
19,632,675	19,249,168	18,076,306	17,593,980	17,744,463	18,215,924
71,298	72,492	72,497	81,212	92,766	110,816
28,586	10,356	17,025	34,276	17,625	1,152
<u>\$ 19,732,559</u>	<u>\$ 19,332,016</u>	<u>\$ 18,165,828</u>	<u>\$ 17,709,468</u>	<u>\$ 17,854,854</u>	<u>\$ 18,327,892</u>

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Service Consumption (in cubic feet) - Unaudited

Last Ten Fiscal Years Ended August 31

Fiscal Year	Water Usage	Sewer Usage
2020	493,448,900	1,480,806,283
2019	482,674,500	1,376,118,983
2018	513,296,022	1,283,918,449
2017	521,137,800	1,001,149,321
2016	503,444,000	945,419,000
2015	465,711,500	926,283,900
2014	480,701,000	870,057,200
2013	491,552,600	858,234,600
2012	536,169,900	894,758,800
2011	508,090,200	901,517,000

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Water and Sewer Revenues - Major Customers

Current Year and Four Years Ago

Company	Product or Service	2020		
		Revenue	Rank	% of Total
Pittsfield Township	Contract community	\$ 7,551,760	1	18.58%
Western Townships Utility Authority	Contract community	6,807,638	2	16.75%
Superior Township	Contract community	2,063,148	3	5.08%
Eastern Michigan University	University	1,271,220	4	3.13%
Augusta Township	Contract community	900,205	5	2.21%
State Hospital	Government	517,796	6	1.27%
R A C E R / ACM	Manufacturing			
Lake in the Woods	Apartments	414,445	7	1.02%
Sun Communities	Multi-Housing	232,601	8	0.57%
Sumpter Township	Contract community	195,329	9	0.48%
Marsh Plating	Manufacturing	186,689	10	0.46%
Lakeview	Apartments			
River Drive Apts	Apartments	172,952	11	0.43%
Forest Knoll	Apartments	169,288	12	0.42%
Rawsonville	Manufacturing	150,085	13	0.37%
Willow Run LLC	Manufacturing	134,920	14	0.33%
Peninsular Place Apts	Apartments	118,262	15	0.29%
Totals		<u>\$ 20,886,337</u>		<u>51.38%</u>

Source: Ypsilanti Community Utility Authority

Note: GASB 44 was implemented in fiscal year 2016. This schedule is being built prospectively. Ultimately, current year and nine years ago data will be presented.

Table 7

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2016		
Revenue	Rank	% of Total
\$ 7,145,653	1	18.24%
6,366,568	2	16.25%
2,069,042	3	5.28%
1,646,169	4	4.20%
958,823	5	2.45%
447,640	7	1.14%
499,883	6	1.28%
350,172	9	0.89%
182,978	12	0.47%
425,829	8	1.09%
154,847	13	0.40%
115,365	15	0.29%
199,397	11	0.51%
204,044	10	0.52%
129,336	14	0.33%
<u>\$ 20,895,746</u>		<u>53.33%</u>

Water and Wastewater Debt Coverage - Unaudited

Last Ten Fiscal Years Ended August 31

Fiscal Year	(1) Gross Revenue	(2) Operating Expenses	Net Revenue Available for Debt Service	(3) Total Debt Service Requirement	Coverage
2020	\$ 40,919,422	\$ 32,299,790	\$ 8,619,632	\$ 5,657,855	1.52
2019	40,805,221	31,849,174	8,956,047	6,916,928	1.29
2018	43,994,684	29,758,749	14,235,935	6,496,119	2.19
2017	42,326,307	32,898,538	9,427,769	6,923,769	1.36
2016	39,405,150	32,304,067	7,101,083	6,431,896	1.10
2015	36,497,656	29,589,319	6,908,337	7,925,358	0.87
2014	35,203,116	27,676,654	7,526,462	5,027,545	1.50
2013	34,042,779	27,922,291	6,120,488	5,844,681	1.05
2012	34,764,666	27,565,394	7,199,272	4,509,206	1.60
2011	33,586,953	26,167,215	7,419,738	5,683,760	1.31

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

(2) Excludes depreciation expense.

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

February 25, 2021

Board of Commissioners
Ypsilanti Community Utilities Authority
Ypsilanti, Michigan

We have audited, in accordance with the 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, the financial statements of the *Ypsilanti Community Utilities Authority* (the "Authority"), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Rehmann is an independent member of Nexia International.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The script is cursive and fluid, with the letters connected. The "L" in "Lehmann" is particularly large and loops around. The "LLC" is written in a simpler, more upright script at the end.