

YPSILANTI COMMUNITY UTILITIES AUTHORITY



www.ycua.org

Years Ended
August 31, 2021
and 2020

Annual
Comprehensive
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 24, 2022

**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 annual comprehensive financial report of the Ypsilanti Community Utilities Authority ("YCUA" or the "Authority") for the fiscal year ended August 31, 2021.

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, 2021 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, 2021 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 underway during 2020-2021 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 2022-2023.

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 65.32% funded as of December 31, 2020 (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, 2021, there were 98 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 111.18% funded as August 31, 2021.

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

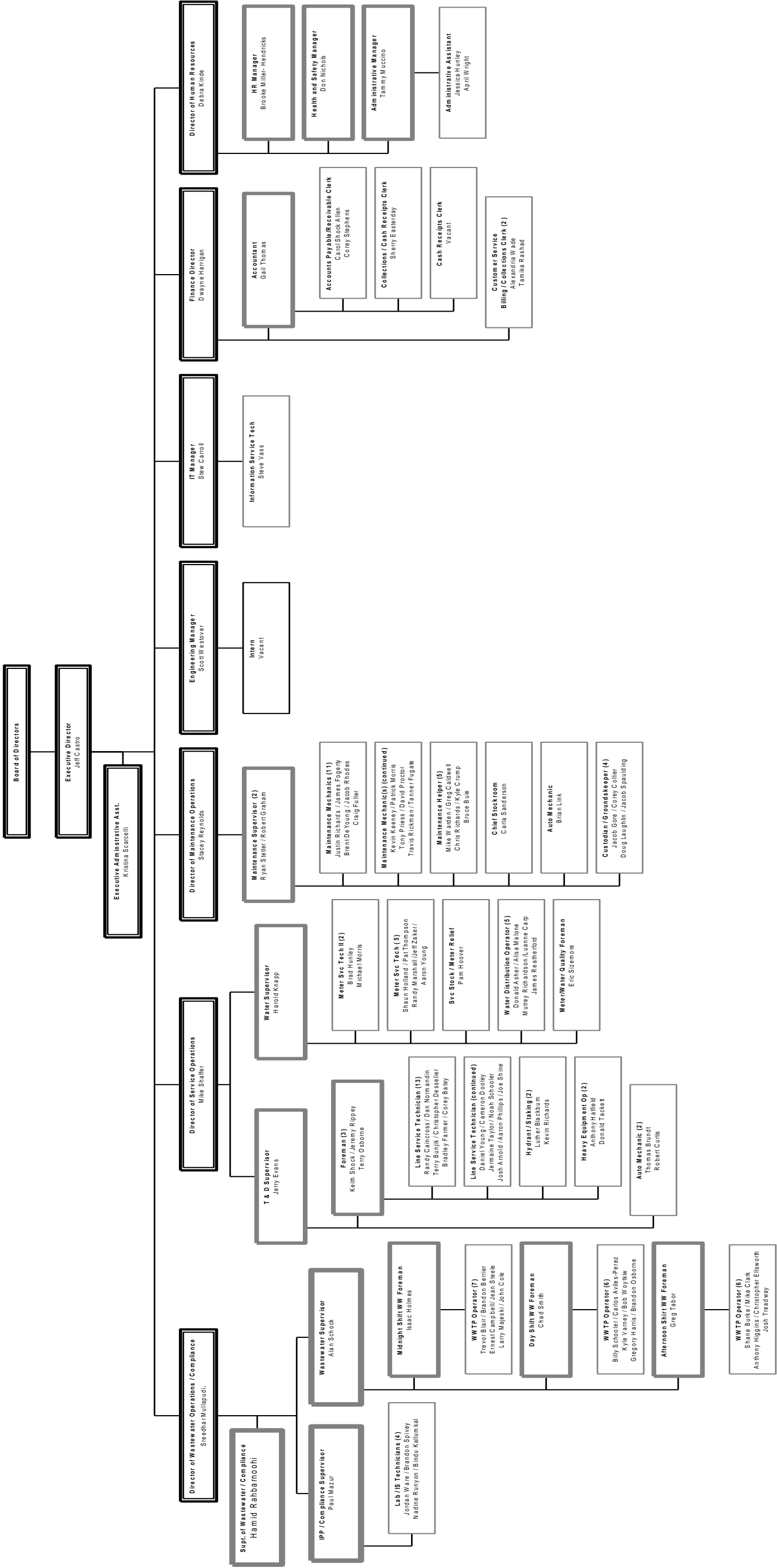
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Ypsilanti Community Utilities Authority. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this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

Luther Blackburn
Executive Director (effective January 1, 2022)

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Organizational Chart



YPSILANTI COMMUNITY UTILITIES AUTHORITY

PRINCIPAL OFFICIALS

At August 31, 2021

Board of Commissioners

Michael Bodary, Chair
City of Ypsilanti

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

Executive Director

Jeff Castro (Retired 12/31/2021)

Finance Director

Dwayne Harrigan

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

February 24, 2022

Board of Commissioners
Ypsilanti Community Utilities Authority
Ypsilanti, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the major fund, and the aggregate remaining fund information of the **Ypsilanti Community Utilities Authority** (the "Authority"), as of and for the years ended August 31, 2021 and 2020, 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.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund, and the aggregate remaining fund information of the Ypsilanti Community Utilities Authority as of August 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 84

As described in Note 17, the Authority implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. Accordingly, beginning net position of the retiree healthcare trust fiduciary fund was restated as of the beginning of the earliest year presented. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 section and statistical tables 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 24, 2022, 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.

Rehmann Lohman LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

YPSILANTI COMMUNITY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Ypsilanti Community Utilities Authority (the "Authority" 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, 2021, 2020 and 2019. 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

	2021	2020
· Total net position	\$ 123,503,062	\$ 128,253,818
· Change in total net position	(4,750,756)	(4,697,659)
· Unrestricted (deficit)	(17,462,236)	(13,026,783)
· Long-term debt outstanding	61,111,213	63,409,793
· Change in long-term debt outstanding	(2,298,580)	760,683

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 *statement of fiduciary net position* presents information on the Retiree Healthcare Trust Fund's assets, which equal its *net position*.
- The *statement of changes in fiduciary net position* presents information showing the additions to and deductions from the Retiree Healthcare Trust Fund's net position during 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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The Authority presents its supplementary financial information classified into the divisions 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 \$123,503,062 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

	YCUA's Net Position		
	2021	2020	2019
Current and other assets	\$ 10,209,083	\$ 17,061,176	\$ 15,609,779
Restricted assets	13,713,758	13,557,638	12,767,537
Capital assets	184,213,613	187,483,817	190,948,845
Net other postemployment benefit asset	3,362,680	1,074,443	-
Total assets	<u>211,499,134</u>	<u>219,177,074</u>	<u>219,326,161</u>
Deferred outflows of resources	<u>7,656,499</u>	<u>6,911,701</u>	<u>7,423,700</u>
Other liabilities	6,748,896	8,221,116	5,053,058
Long-term debt	61,111,213	63,409,793	62,649,110
Other liabilities due in more than one year:			
Net pension liability	21,066,264	23,779,223	24,529,069
Net other postemployment benefit liability	-	-	1,072,800
Total liabilities	<u>88,926,373</u>	<u>95,410,132</u>	<u>93,304,037</u>
Deferred inflows of resources	<u>6,726,198</u>	<u>2,424,825</u>	<u>494,347</u>
Net investment in capital assets	125,575,029	126,558,092	130,637,045
Restricted	15,390,269	14,722,509	12,767,537
Unrestricted deficit	<u>(17,462,236)</u>	<u>(13,026,783)</u>	<u>(10,453,105)</u>
Total net position	<u>\$ 123,503,062</u>	<u>\$ 128,253,818</u>	<u>\$ 132,951,477</u>

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 Change in Net Position		
	2021	2020	2019
Operating revenues	<u>\$ 40,378,749</u>	<u>\$ 40,647,178</u>	<u>\$ 40,447,025</u>
Operating expenses			
Water distribution	18,357,879	18,176,476	17,391,996
Wastewater treatment	25,625,615	25,938,885	26,010,470
Total operating expenses	<u>43,983,494</u>	<u>44,115,361</u>	<u>43,402,466</u>
Operating loss	(3,604,745)	(3,468,183)	(2,955,441)
Nonoperating revenues (expenses)	<u>(1,146,011)</u>	<u>(1,334,552)</u>	<u>(1,390,953)</u>
Loss before contributions	(4,750,756)	(4,802,735)	(4,346,394)
Capital contributions	<u>-</u>	<u>105,076</u>	<u>1,963,458</u>
Change in net position	(4,750,756)	(4,697,659)	(2,382,936)
Net position, beginning of year	<u>128,253,818</u>	<u>132,951,477</u>	<u>135,334,413</u>
Net position, end of year	<u><u>\$ 123,503,062</u></u>	<u><u>\$ 128,253,818</u></u>	<u><u>\$ 132,951,477</u></u>

The Authority's net position decreased by \$4,750,756 and \$4,697,659 for fiscal 2021 and 2020, respectively.

Key elements of the 2021 changes include:

- Capital contributions to the Authority were \$0 (and \$105,076 last year).
- Water operating revenues increased by approximately \$0.6 million (or 3.1%). There was a no increase in consumption and a 3.0% increase in water rates in the City and the Township. Corresponding direct costs for water distribution increased by approximately \$0.2 million.
- Sewage operating revenues decreased by approximately \$0.9 million (or 4.7%). Direct costs for treatment increased by approximately \$0.8 million. Total wastewater treatment expense was up 4.4%.
- Total operating expenses remained relatively consistent with a decrease of approximately \$0.1 million (or 0.3%).
- The city division increased sewer rates by 3.0% and water rates by 3.0%. These rates all became effective October 15, 2020.
- The township division sewer rates increased by 3.0% and water rates increased by 3.0%. These rate increases became effective October 1, 2020.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Capital Assets and Debt Administration

Capital assets. The Authority's investment in capital assets as of August 31, 2021 amounted to \$184.2 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 \$3.3 million (or 1.7%). The net decrease is primarily attributable to depreciation in excess of current year additions.

	YCUA's Capital Assets		
	2021	2020	2019
Land	\$ 1,298,704	\$ 1,298,704	\$ 1,298,704
Buildings and improvements	497,424	555,826	614,228
Wastewater treatment plant	60,357,867	62,594,165	69,625,470
Water and wastewater systems	111,279,509	114,805,789	117,329,801
Vehicles	935,007	1,099,919	831,616
Equipment	796,473	812,144	765,051
Construction in process	9,048,629	6,317,270	483,975
Total	<u>\$ 184,213,613</u>	<u>\$ 187,483,817</u>	<u>\$ 190,948,845</u>

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term debt. At year-end, the Authority had \$58.6 million of long-term debt including limited tax obligation bonds, revenue bonds and other obligations as summarized below.

	YCUA's Outstanding Debt		
	2021	2020	2019
Limited tax obligation bonds	\$ 47,371,619	\$ 46,376,628	\$ 44,922,449
Revenue bonds	10,165,000	13,400,000	14,120,000
Environmental liability	1,041,456	1,041,456	1,041,456
Total	<u>\$ 58,578,075</u>	<u>\$ 60,818,084</u>	<u>\$ 60,083,905</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.

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, the impacts from COVID-19, 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 is starting to emerge, whereas inflation in the utility, supply chain, and health care costs will be significant.

The Authority's operating budget for fiscal 2022 is approximately \$46.4 million; key provisions include:

- Operating revenue increases slightly to \$44.3 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 \$46.4 with a general increase in operating costs including a increase in the cost of water purchased from GLWA.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The capital budget for fiscal 2021 totals approximately \$2.55 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 2022, about 1.8 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.

BASIC FINANCIAL STATEMENTS

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Statements of Net Position

	August 31,	
	2021	2020
Assets		
Current assets:		
Cash and investments	\$ 624,890	\$ 4,468,972
Receivables, net	7,965,324	11,011,602
Inventories	1,470,890	1,379,721
Prepaid items	77,839	78,891
Total current assets	<u>10,138,943</u>	<u>16,939,186</u>
Noncurrent assets:		
Restricted assets:		
Cash and investments	11,226,575	11,070,455
Bond reserve funds held by City of Ypsilanti	2,487,183	2,487,183
Receivables, long-term portion	70,140	121,990
Capital assets not being depreciated	10,347,333	7,615,974
Capital assets being depreciated, net	173,866,280	179,867,843
Net other postemployment benefit asset	3,362,680	1,074,443
Total noncurrent assets	<u>201,360,191</u>	<u>202,237,888</u>
Total assets	<u>211,499,134</u>	<u>219,177,074</u>
Deferred outflows of resources		
Deferred pension amounts	4,165,103	4,140,670
Deferred other postemployment benefit amounts	3,121,933	2,387,225
Deferred charge on refunding	369,463	383,806
Total deferred outflows of resources	<u>7,656,499</u>	<u>6,911,701</u>
Liabilities		
Current liabilities:		
Accounts payable	4,347,165	5,386,251
Retentions, deposits and other liabilities	1,495,427	1,670,821
Accrued interest payable	529,815	713,525
Unearned revenue	376,489	450,519
Current maturities of long-term debt	5,176,325	6,401,567
Current maturities of accrued compensated absences	530,855	529,403
Total current liabilities	<u>12,456,076</u>	<u>15,152,086</u>
Noncurrent liabilities:		
Long-term debt, net of current maturities:		
Bonds payable	54,281,722	55,357,964
Environmental liability	591,456	591,456
Accrued compensated absences	530,855	529,403
Net pension liability	21,066,264	23,779,223
Total noncurrent liabilities	<u>76,470,297</u>	<u>80,258,046</u>
Total liabilities	<u>88,926,373</u>	<u>95,410,132</u>
Deferred inflows of resources		
Deferred pension amounts	1,918,096	128,028
Deferred other postemployment benefit amounts	4,808,102	2,296,797
Total deferred inflows of resources	<u>6,726,198</u>	<u>2,424,825</u>
Net position		
Net investment in capital assets	125,575,029	126,558,092
Restricted for special purposes	13,713,758	13,557,638
Restricted for other postemployment benefits	1,676,511	1,164,871
Unrestricted (deficit)	<u>(17,462,236)</u>	<u>(13,026,783)</u>
Total net position	<u>\$ 123,503,062</u>	<u>\$ 128,253,818</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,	
	2021	2020
Operating revenues		
Water sales	\$ 17,382,861	\$ 18,417,498
Sewage disposal sales	14,649,717	16,623,003
Surcharges and other usage fees:		
Capital improvement surcharge	6,238,631	3,815,737
Construction reserve	253,175	253,940
Environmental reserve	114,388	115,466
Other operating revenue	1,739,977	1,421,534
Total operating revenues	<u>40,378,749</u>	<u>40,647,178</u>
Operating expenses		
Water distribution	11,945,178	11,817,682
Wastewater treatment	18,722,073	17,960,178
Wastewater pump stations	1,334,999	1,434,756
Industrial surveillance	317,507	546,703
Transmission and distribution	8,048,091	8,300,069
Meter service	1,283,997	1,480,328
Customer accounting and collections	492,692	562,935
General and administration	1,838,957	2,012,710
Total operating expenses	<u>43,983,494</u>	<u>44,115,361</u>
Operating loss	<u>(3,604,745)</u>	<u>(3,468,183)</u>
Nonoperating revenues (expenses)		
Investment earnings	175,377	176,628
Connection fees	226,766	95,616
Interest and amortization expense	(1,548,617)	(1,613,977)
Other nonoperating revenues	463	7,181
Total nonoperating revenues (expenses)	<u>(1,146,011)</u>	<u>(1,334,552)</u>
Loss before capital contributions	(4,750,756)	(4,802,735)
Capital contributions	<u>-</u>	<u>105,076</u>
Change in net position	(4,750,756)	(4,697,659)
Net position, beginning of year	<u>128,253,818</u>	<u>132,951,477</u>
Net position, end of year	<u>\$ 123,503,062</u>	<u>\$ 128,253,818</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,	
	2021	2020
Cash flows from operating activities		
Receipts from customers and users	\$ 43,476,877	\$ 36,499,991
Payments to suppliers	(24,196,422)	(17,668,981)
Payments to employees and employee benefits	(10,733,195)	(11,947,382)
Net cash provided by operating activities	<u>8,547,260</u>	<u>6,883,628</u>
Cash flows from capital and related financing activities		
Proceeds from issuance of and draws on long-term debt	7,559,834	5,790,539
Proceeds from original issuance premiums on bonds	213,000	101,155
Use of bond reserve funds on deposit with the City of Ypsilanti	-	(37,336)
Acquisition and construction of capital assets	(8,618,360)	(8,245,467)
Principal payments on long-term debt	(6,954,843)	(3,891,360)
Payment to refunding bond escrow agent	(2,845,000)	(1,165,000)
Interest payments on long-term debt	(1,992,459)	(1,676,495)
Receipts from connection fees	226,766	95,616
Net cash used in capital and related financing activities	<u>(12,411,062)</u>	<u>(9,028,348)</u>
Cash flows from investing activities		
Earnings received on investments	<u>175,840</u>	<u>183,809</u>
Net change in cash and investments	<u>(3,687,962)</u>	<u>(1,960,911)</u>
Cash and investments, beginning of year	<u>15,539,427</u>	<u>17,500,338</u>
Cash and investments, end of year	<u>\$ 11,851,465</u>	<u>\$ 15,539,427</u>
Reconciliation to statements of net position		
Cash and investments	\$ 624,890	\$ 4,468,972
Restricted cash and investments	<u>11,226,575</u>	<u>11,070,455</u>
Total cash and investments	<u>\$ 11,851,465</u>	<u>\$ 15,539,427</u>

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Statements of Cash Flows

	For the Year Ended August 31,	
	2021	2020
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (3,604,745)	\$ (3,468,183)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	11,888,564	11,815,571
Changes in current assets and liabilities:		
Receivables	3,098,128	(4,147,187)
Inventories	(91,169)	(23,610)
Prepaid items	1,052	5,724
Net other postemployment benefit asset	(2,288,237)	(1,074,443)
Deferred outflow of resources - pension amounts	(24,433)	1,363,362
Deferred outflow of resources - other postemployment benefit amounts	(734,708)	(871,011)
Accounts payable	(1,039,086)	2,481,968
Retentions, deposits and other liabilities	(175,394)	601,228
Unearned revenue	(74,030)	(74,029)
Accrued compensated absences	2,904	166,406
Net pension liability	(2,712,959)	(749,846)
Net other postemployment benefit liability	-	(1,072,800)
Deferred inflow of resources - pension amounts	1,790,068	(215,234)
Deferred inflow of resources - other postemployment benefit amounts	2,511,305	2,145,712
Net cash provided by operating activities	<u>\$ 8,547,260</u>	<u>\$ 6,883,628</u>
Noncash items		
Capital contributions from developers	<u>\$ -</u>	<u>\$ 105,076</u>

concluded.

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Statements of Fiduciary Net Position

Fiduciary Fund

Retiree Healthcare Trust Fund

	August 31,	
	2021	2020
Assets		
Investments -		
MERS total market portfolio	<u>\$ 33,443,449</u>	<u>\$ 27,314,728</u>
Net position		
Restricted for -		
Other postemployment benefits	<u><u>\$ 33,443,449</u></u>	<u><u>\$ 27,314,728</u></u>

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Statements of Changes in Fiduciary Net Position

Fiduciary Fund

Retiree Healthcare Trust Fund

	For the Year Ended August 31,	
	2021	2020
Additions		
Contributions -		
Employer	\$ 433,284	\$ 1,310,793
Investment earnings -		
Net appreciation in fair value of investments	7,483,389	630,118
Total additions	<u>7,916,673</u>	<u>1,940,911</u>
Deductions		
Benefit payments	1,733,284	1,310,793
Administrative expenses	54,668	48,929
Total deductions	<u>1,787,952</u>	<u>1,359,722</u>
Change in net position	6,128,721	581,189
Net position, beginning of year, as restated	<u>27,314,728</u>	<u>26,733,539</u>
Net position, end of year	<u><u>\$ 33,443,449</u></u>	<u><u>\$ 27,314,728</u></u>

The accompanying notes are an integral part of these basic 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 one component unit – i.e., a legally separate entity for which the Authority is financially accountable. The Authority is not 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.

Fiduciary Component Unit

The Ypsilanti Community Utilities Authority Other Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit postemployment healthcare plan that provides healthcare benefits to certain full time employees upon retirement, in accordance with labor agreements. The Plan is included as a fiduciary component unit of the Authority because: (1) the Plan is a legally separate entity; (2) the Board of Commissioners appoints a voting majority of the trustees - in the case of the MERS RHFV the Board of Commissioners is the Fiduciary for the plan with MERS acting as the program administrator; and (3) the Authority makes contributions to the Plan on behalf of its participants. The Plan provisions are established and may be amended by the Board of Commissioners, subject to the Authority's various collective bargaining agreements.

Basis of Presentation / Measurement Focus / Basis of Accounting

The proprietary fund and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority reports the following major proprietary fund -

The Ypsilanti Community Utilities Authority *Enterprise Fund* provides water and wastewater services to the residents of the City of Ypsilanti, Michigan, Ypsilanti Township, and other adjacent municipalities.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Additionally, the Authority reports the following fund type -

Other Postemployment Benefits Trust Fund accounts for the activities of the Retiree Healthcare Trust Fund, which accumulate resources for other postemployment benefit payments to qualified employees.

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.

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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

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

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 related to 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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

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.

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:

	2021	2020
Statement of Net Position		
Cash and investments	\$ 624,890	\$ 4,468,972
Restricted cash and investments	11,226,575	11,070,455
Statement of Fiduciary Net Position		
Investments	33,443,449	27,314,728
Total	<u>\$ 45,294,914</u>	<u>\$ 42,854,155</u>
Deposits and Investments		
Bank deposits (checking accounts, savings accounts, money market accounts and certificate of deposits)	\$ 11,850,615	\$ 15,538,577
Investments - Retiree healthcare trust fund	33,443,449	27,314,728
Cash on hand	850	850
Total	<u>\$ 45,294,914</u>	<u>\$ 42,854,155</u>

Authority

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, 2021, \$12,643,953 of the Authority's total bank balance of \$15,143,953 (total book balance was \$11,850,615) was exposed to custodial credit risk as it was uninsured and uncollateralized. 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.

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

Retiree Healthcare Trust Fund

The retiree healthcare trust fund (the "Fund") investments are maintained separately from the Authority's cash and investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for the Fund's investments are presented separately.

The Public Employee Retirement System Investment Act, Public Act 314 of 1965, as amended, authorizes the fund to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Authority has the responsibility and authority to oversee the investment portfolio. A professional investment manager is contracted to assist in managing the Fund's assets.

The Fund's investments are held in an administered trust account. As of August 31, 2021 and 2020, the Fund's investments of \$33,443,449 and \$27,314,728 were invested in the Municipal Employees' Retirement System (MERS) total market portfolio.

Credit Risk. As of August 31, 2021 and 2020, the Fund's investments were not rated.

The Authority's policy is to comply with Public Act 314 as referenced above; such statute does not provide specific guidelines regarding credit risk.

Custodial Credit Risk. The Authority does not have a policy regarding custodial credit risk for the Fund's investments. However, while uninsured and unregistered, the Fund's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the Authority's name.

Concentration of Credit Risk. At August 31, 2021 and 2020, the Fund investment portfolio holdings were not concentrated (i.e., no more than 5% of the portfolio in issues of any one entity other than the federal government). The Authority's policy is to comply with Public Act 314 as referenced above.

Interest Rate Risk. As of August 31, 2021 and 2020, the Fund's investments had no maturity.

Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. These levels are determined by the Authority's investment manager and are determined at the fund level based on a review of the investment's class, structure, and what kind of securities are held in the funds. The investment manager will request the information from the fund manager, if necessary.

The Authority's investment in the MERS total market portfolio had a recurring fair value measurement at level 1 as of August 31, 2021 and 2020.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

4. RECEIVABLES

Receivables as of August 31 are summarized as follows:

	2021	2020
Accounts, net of \$25,000 allowance	\$ 7,893,829	\$ 10,975,459
Accrued investment interest	9,583	9,583
Special assessments and benefit charges	132,052	148,550
Total receivables	8,035,464	11,133,592
Less long-term portion of special assessments and benefit charges	(70,140)	(121,990)
Current portion of receivables	\$ 7,965,324	\$ 11,011,602

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	2021	2020
Township bond and interest reserve (Ordinance No. 11, section 13, amended by No. 47)	\$ 300,151	\$ 303,935
Township construction reserve surcharge (Ordinance No. 124, sections A(10) and B(9))	2,902,679	2,902,354
WWTP future construction reserve (WWTP construction agreement, as amended)	1,068,575	1,067,652
City construction reserve surcharge (Ordinance No. 697, section 2.137)	907,613	906,896
City debt retirement and capital improvement surcharge (Ordinance No. 696, amended by Ordinance No. 959)	414,363	414,330
Wastewater treatment plant improvement reserve (WTUA wastewater disposal agreement, as amended)	1,918,719	1,907,309
EPA replacement reserve (EPA regulatory requirements)	1,241,789	1,245,266
Township environmental reserve surcharge (Ordinance No. 11, section 9; amended by No. 134)	1,970,876	1,969,727
Construction project bond/capital lease proceeds (Bond ordinances)	501,810	352,986
	\$ 11,226,575	\$ 11,070,455

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

6. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2021 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	6,317,270	7,977,151	-	(5,245,792)	9,048,629
Total capital assets not being depreciated	7,615,974	7,977,151	-	(5,245,792)	10,347,333
Capital assets being depreciated:					
Buildings and improvements	2,216,082	-	-	-	2,216,082
Wastewater treatment plant	193,323,328	-	-	4,849,258	198,172,586
Water and wastewater systems	207,737,605	563,604	-	396,534	208,697,743
Vehicles	4,877,578	-	-	-	4,877,578
Equipment	7,014,165	77,605	-	-	7,091,770
Total capital assets being depreciated	415,168,758	641,209	-	5,245,792	421,055,759
Less accumulated depreciation for:					
Buildings and improvements	(1,660,256)	(58,402)	-	-	(1,718,658)
Wastewater treatment plant	(130,729,163)	(7,085,556)	-	-	(137,814,719)
Water and wastewater systems	(92,931,816)	(4,486,418)	-	-	(97,418,234)
Vehicles	(3,777,659)	(164,912)	-	-	(3,942,571)
Equipment	(6,202,021)	(93,276)	-	-	(6,295,297)
Total accumulated depreciation	(235,300,915)	(11,888,564)	-	-	(247,189,479)
Total capital assets being depreciated, net	179,867,843	(11,247,355)	-	5,245,792	173,866,280
Total capital assets, net	\$ 187,483,817	\$ (3,270,204)	\$ -	\$ -	\$ 184,213,613

Construction commitments

The Authority has ongoing construction projects to update the incinerator and West Tertiary filters with cumulative outstanding commitments of approximately \$1.0 million at year end.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

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

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, 2021 was \$76,162,616.

During fiscal 2021 and 2020, the cash draws against the Drinking Water Revolving Fund and Clean Water State Revolving Fund bonds amounted to \$4,854,834 and \$4,670,539, respectively, which were the project construction costs incurred during those years. The total amount authorized under these issues was \$21,382,849 of which \$3,224,183 is still available and expected to be drawn through August 31, 2021.

Limited tax general obligation bonds outstanding at August 31, 2021 are as follows:

	Credit	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2003 water (DWRF)	Twp	2.50%	\$ 752,426	\$ -	\$ (180,000)	\$ 572,426	\$ 185,000
2007 water (DWRF)	City	2.125%	133,702	-	(15,000)	118,702	15,000
2007 water (DWRF)	Twp	2.125%	915,075	-	(105,000)	810,075	105,000
2008 water (DWRF)	Twp	2.50%	568,213	-	(60,000)	508,213	60,000
2008 water (DWRF)	City	2.50%	219,253	-	(20,000)	199,253	25,000
2009 water (DWRF)	City	2.50%	89,029	-	(10,000)	79,029	10,000
2009 water (DWRF)	Twp	2.50%	152,566	-	(17,000)	135,566	17,000
2010 water (SRF)	Shared	2.50%	420,151	-	(35,000)	385,151	35,000
2010 water (SRF)	Twp	2.50%	1,687,658	-	(140,000)	1,547,658	145,000
2010 water (SRF)	Twp	2.50%	286,641	-	(25,000)	261,641	25,000
2010 refunding	Twp	1.50-3.125%	182,843	-	(182,843)	-	-
2011 water refunding	Twp	2.0-4.0%	3,425,000	-	(3,425,000)	-	-
2012 water (DWRF)	Shared	2.50%	1,084,554	-	(70,000)	1,014,554	75,000
2012 water (DWRF)	City	2.50%	2,175,000	-	(130,000)	2,045,000	135,000
2012 water (DWRF)	Twp	2.50%	2,172,119	-	(160,000)	2,012,119	160,000
2012 water	Twp	2.0-4.0%	1,930,000	-	(110,000)	1,820,000	115,000
2012 water (DWRF)	Twp	2.00%	1,463,748	-	(100,000)	1,363,748	100,000
2013 water refunding	Twp	0.45-3.25%	2,970,000	-	(300,000)	2,670,000	305,000
2013 water (DWRF)	Shared	2.00%	848,207	-	(55,000)	793,207	55,000
2014 water (DWRF)	Shared	2.50%	3,513,036	-	(180,000)	3,333,036	185,000
2015 water (DWRF)	Shared	2.50%	350,000	-	(20,000)	330,000	20,000
2016 sewer refunding	Twp	2.0-4.0%	3,595,000	-	(275,000)	3,320,000	285,000
2017 sewer refunding	Twp	4.00%	6,145,000	-	(125,000)	6,020,000	125,000
2017 water (DWRF)	Shared	2.50%	1,620,699	-	(75,000)	1,545,699	75,000
2017 water (DWRF)	Twp	2.50%	3,486,426	-	(155,000)	3,331,426	160,000
2019 water (DWRF)	Shared	2.00%	5,070,282	4,429,718	(390,000)	9,110,000	400,000
2020 refunding	Twp	4.00%	1,120,000	-	(205,000)	915,000	215,000
2021 water (DWRF)	Shared	1.875%	-	425,116	-	425,116	145,000
2021 refunding	Twp	3.00%	-	2,705,000	-	2,705,000	500,000
			<u>\$ 46,376,628</u>	<u>\$ 7,559,834</u>	<u>\$ (6,564,843)</u>	<u>\$ 47,371,619</u>	<u>\$ 3,677,000</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

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 (DWRf)	City	2.50%	\$ 60,000	\$ -	\$ (60,000)	\$ -	\$ -
2003 water (DWRf)	Twp	2.50%	932,426	-	(180,000)	752,426	180,000
2007 water (DWRf)	City	2.125%	148,702	-	(15,000)	133,702	15,000
2007 water (DWRf)	Twp	2.125%	1,020,075	-	(105,000)	915,075	105,000
2008 water (DWRf)	Twp	2.50%	623,213	-	(55,000)	568,213	60,000
2008 water (DWRf)	City	2.50%	239,253	-	(20,000)	219,253	20,000
2009 water (DWRf)	City	2.50%	94,029	-	(5,000)	89,029	10,000
2009 water (DWRf)	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 (DWRf)	Shared	2.50%	1,154,554	-	(70,000)	1,084,554	70,000
2012 water (DWRf)	City	2.50%	2,305,000	-	(130,000)	2,175,000	130,000
2012 water (DWRf)	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 (DWRf)	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 (DWRf)	Shared	2.00%	898,207	-	(50,000)	848,207	55,000
2014 water (DWRf)	Shared	2.50%	3,688,036	-	(175,000)	3,513,036	180,000
2015 water (DWRf)	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 (DWRf)	Shared	2.50%	1,695,699	-	(75,000)	1,620,699	80,000
2017 water (DWRf)	Twp	2.50%	3,646,426	-	(160,000)	3,486,426	155,000
2019 water (DWRf)	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>

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.

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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
2022	\$ 3,677,000	\$ 1,186,065
2023	3,792,000	1,073,533
2024	3,759,426	960,260
2025	3,652,000	849,825
2026	3,872,000	740,124
2027-2031	18,395,288	2,345,385
2032-2036	9,426,664	791,672
2037-2040	4,021,424	633,462
	50,595,802	<u>\$ 8,580,326</u>
Less amount remaining to draw on outstanding projects	<u>(3,224,183)</u>	
	<u>\$ 47,371,619</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 2021, the Authority issued \$2,705,000 of refunding bonds to advance refund \$2,845,000 of the 2011 water refunding. The refunding resulted in a net savings of \$201,612 and an economic gain of \$202,758. 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, 2021 was \$28,845,000. No new or refunding revenue bonds were issued during the current year.

Revenue bonds outstanding at August 31, 2021 are as follows:

	Credit	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2002B water (DWRf)	City	2.50%	\$ 60,000	\$ -	\$ (30,000)	\$ 30,000	\$ 30,000
2003C water (DWRf)	City	2.50%	190,000	-	(45,000)	145,000	45,000
2003D water (DWRf)	City	2.50%	1,280,000	-	(310,000)	970,000	315,000
2004B water (DWRf)	City	2.125%	1,845,000	-	(355,000)	1,490,000	360,000
2013 refunding	City	2.00-4.00%	2,660,000	-	(1,340,000)	1,320,000	-
2016 refunding	City	2.00-4.00%	7,365,000	-	(1,155,000)	6,210,000	-
			<u>\$ 13,400,000</u>	<u>\$ -</u>	<u>\$ (3,235,000)</u>	<u>\$ 10,165,000</u>	<u>\$ 750,000</u>

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Notes to the Financial Statements

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>

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

Year Ended August 31,	Principal	Interest
2022	\$ 750,000	\$ 51,588
2023	2,075,000	308,869
2024	2,145,000	237,116
2025	1,690,000	170,391
2026	1,355,000	103,100
2027-2028	<u>2,150,000</u>	<u>73,400</u>
	<u>\$ 10,165,000</u>	<u>\$ 944,464</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 than 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, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Limited tax obligation bonds	\$ 46,376,628	\$ 7,559,834	\$ (6,564,843)	\$ 47,371,619	\$ 3,677,000
Revenue bonds	13,400,000	-	(3,235,000)	10,165,000	750,000
Environmental liability	1,041,456	-	-	1,041,456	450,000
Compensated absences	1,058,806	833,775	(830,871)	1,061,710	530,855
	61,876,890	8,393,609	(10,630,714)	59,639,785	5,407,855
Deduct deferred amounts for:					
Issuance discounts	(210,506)	-	27,572	(182,934)	(27,572)
Issuance premiums	1,743,409	213,000	(302,047)	1,654,362	326,897
	<u>\$ 63,409,793</u>	<u>\$ 8,606,609</u>	<u>\$ (10,905,189)</u>	<u>\$ 61,111,213</u>	<u>\$ 5,707,180</u>

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>

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:

	2021	2020
Western Townships Utility Authority	\$ -	\$ 1,995
City of Ypsilanti	-	103,081
	<u>\$ -</u>	<u>\$ 105,076</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, 2020 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	131
Inactive employees entitled to but not yet receiving benefits	33
Active employees	<u>113</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, 2021:

Division/Bargaining Unit	Employer Contribution	Employee Contribution	Status
AFSCME	2.32%	5.0%	Open
AFSCME	\$ 841,464	5.0%	Closed
Teamsters	748,176	5.0%	Closed
Management	518,388	5.0%	Closed

Net Pension Liability. The Authority's net pension liability was measured as of December 31, 2020, 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, 2020 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 base mortality tables used are constructed as described below and are based on are amount weighted sex distinct rates:

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120
- Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120
- Disables retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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, 2020 was 7.6%. 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, 2019	\$ 59,134,362	\$ 35,355,139	\$ 23,779,223
Changes for the year:			
Service cost	734,890	-	734,890
Interest	4,379,123	-	4,379,123
Differences between expected and actual experience	(808,236)	-	(808,236)
Assumption changes	1,071,342	-	1,071,342
Employer contributions	-	3,200,544	(3,200,544)
Employee contributions	-	384,453	(384,453)
Net investment income	-	4,576,415	(4,576,415)
Benefit payments, including refunds of employee contributions	(3,763,502)	(3,763,502)	-
Administrative expense	-	(71,334)	71,334
Net changes	1,613,617	4,326,576	(2,712,959)
Balances at December 31, 2020	\$ 60,747,979	\$ 39,681,715	\$ 21,066,264

Changes in assumptions. A 5-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. In addition to changes to the economic assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

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%)
\$ 27,991,842	\$ 21,066,264	\$ 15,225,329

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, 2021, the Authority recognized pension expense of \$2,220,095. 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	\$ 330,302	\$ 606,177	\$ (275,875)
Changes in assumptions	1,657,455	-	1,657,455
Net difference between projected and actual earnings on pension plan investments	-	1,311,919	(1,311,919)
	<u>1,987,757</u>	<u>1,918,096</u>	<u>69,661</u>
Contributions subsequent to the measurement date	<u>2,177,346</u>	<u>-</u>	<u>2,177,346</u>
Total	<u>\$ 4,165,103</u>	<u>\$ 1,918,096</u>	<u>\$ 6,083,199</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 pension liability for the year ending August 31, 2022. 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
2022	\$ 408,998
2023	698,798
2024	(658,353)
2025	<u>(379,782)</u>
Total	<u>\$ 69,661</u>

Payable to the Pension Plan. At August 31, 2021, the Authority had \$271,631 recorded as a payable for contributions to the pension plan.

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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, 2021, 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, 2021, 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, 2021 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	7.35%, net of investment expense and including inflation
Healthcare cost trend rate	7.0% 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.)
Assumption changes	The expected return was changed from 7.75% to 7.35%. Additionally, there were revised/updated Rx rebates, mortality, trend, retirement, and turnover.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Mortality rates used were based on the Society of Actuaries Pub-2010 Public Retirement Plans Headcount-Weighted General Mortality Tables using Scale MP-2021 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	60.0%	4.95%	2.97%
Global fixed income	20.0%	2.40%	0.48%
Private investments	20.0%	7.00%	1.40%
	<u>100.0%</u>		
Inflation			<u>2.50%</u>
Investment rate of return			<u>7.35%</u>

Discount Rate. The discount rate used to measure the total other postemployment benefit liability is 7.35% for the 2021 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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

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, 2020	\$ 26,240,285	\$ 27,314,728	\$ (1,074,443)
Changes for the year:			
Service cost	179,615	-	179,615
Interest	1,980,377	-	1,980,377
Difference between expected and actual experience	343,893	-	343,893
Changes in assumptions	3,069,883	-	3,069,883
Employer contributions	-	433,284	(433,284)
Net investment income	-	7,483,389	(7,483,389)
Benefit payments, including refunds of employee contributions	(1,733,284)	(1,733,284)	-
Administrative expense	-	(54,668)	54,668
Net changes	3,840,484	6,128,721	(2,288,237)
Balances at June 30, 2021	\$ 30,080,769	\$ 33,443,449	\$ (3,362,680)

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 7.35%, 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 (6.35%) or 1% higher (8.35%) than the current rate:

1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
\$ 479,296	\$ (3,362,680)	\$ (6,549,661)

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 7.0%, 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 (6.0%) or 1% higher (8.0%) than the current rate:

1% Decrease (6.0% graded down to 3.5%)	Healthcare Cost Trend Rate (7.0% graded down to 4.5%)	1% Increase (8.0% graded down to 5.5%)
\$ (6,828,471)	\$ (3,362,680)	\$ 814,259

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

For the year ended August 31, 2021, the Authority recognized other postemployment benefit expense of \$(153,353). 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	\$ -	\$ (2,983,538)	\$ (2,983,538)
Changes in assumptions	2,455,906	(1,751,692)	704,214
Difference between expected and actual experience	382,132	(72,872)	309,260
	<u>2,838,038</u>	<u>(4,808,102)</u>	<u>(1,970,064)</u>
Contributions subsequent to the measurement date	<u>283,895</u>	<u>-</u>	<u>283,895</u>
Total	<u><u>\$ 3,121,933</u></u>	<u><u>\$ (4,808,102)</u></u>	<u><u>\$ (1,686,169)</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, 2022. 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
2022	\$ (303,617)
2023	(294,665)
2024	(534,412)
2025	<u>(837,370)</u>
Total	<u><u>\$ (1,970,064)</u></u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Payable to the Other Postemployment Benefit Plan. At August 31, 2021, 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, 2021 and 2020 was as follows:

	2021	2020
Capital assets:		
Capital assets not being depreciated	\$ 10,347,333	\$ 7,615,974
Capital assets being depreciated, net	<u>173,866,280</u>	<u>179,867,843</u>
	<u>184,213,613</u>	<u>187,483,817</u>
Related debt:		
Limited tax obligation bonds	47,371,619	46,376,628
Revenue bonds	10,165,000	13,400,000
Issuance discounts	(182,934)	(210,506)
Issuance premiums	1,654,362	1,743,409
Deferred charge on refunding	<u>(369,463)</u>	<u>(383,806)</u>
	<u>58,638,584</u>	<u>60,925,725</u>
Net investment in capital assets	<u><u>\$ 125,575,029</u></u>	<u><u>\$ 126,558,092</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, 2021 is presented below.

	Condensed Statement of Net Position		
	City	Township	Totals
Assets			
Current and other assets	\$ 3,288,519	\$ 23,997,002	\$ 27,285,521
Capital assets	60,489,685	123,723,928	184,213,613
Total assets	<u>63,778,204</u>	<u>147,720,930</u>	<u>211,499,134</u>
Deferred outflows of resources	<u>1,553,460</u>	<u>6,103,039</u>	<u>7,656,499</u>
Liabilities			
Long-term debt	16,832,356	44,278,857	61,111,213
Net pension liability	4,063,634	17,002,630	21,066,264
Other liabilities	1,341,139	5,407,757	6,748,896
Total liabilities	<u>22,237,129</u>	<u>66,689,244</u>	<u>88,926,373</u>
Deferred inflows of resources	<u>1,297,468</u>	<u>5,428,730</u>	<u>6,726,198</u>
Net position			
Net investment			
in capital assets	44,123,050	81,451,979	125,575,029
Restricted	7,091,327	8,298,942	15,390,269
Unrestricted deficit	(9,417,310)	(8,044,926)	(17,462,236)
Total net position	<u>\$ 41,797,067</u>	<u>\$ 81,705,995</u>	<u>\$ 123,503,062</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	\$ 5,057,991	\$ 3,738,542	\$ 8,796,533	\$ 16,583,581	\$ 14,998,635	\$ 31,582,216	\$ 40,378,749
Operating expenses							
Depreciation	946,830	1,354,223	2,301,053	1,818,559	7,768,952	9,587,511	11,888,564
Other operating	2,632,015	2,914,402	5,546,417	12,960,475	13,588,038	26,548,513	32,094,930
	3,578,845	4,268,625	7,847,470	14,779,034	21,356,990	36,136,024	43,983,494
Operating income (loss)	1,479,146	(530,083)	949,063	1,804,547	(6,358,355)	(4,553,808)	(3,604,745)
Nonoperating revenues (expenses)	(157,842)	(244,250)	(402,092)	(43,478)	(700,441)	(743,919)	(1,146,011)
Change in net position	\$ 1,321,304	\$ (774,333)	546,971	\$ 1,761,069	\$ (7,058,796)	(5,297,727)	(4,750,756)
Net position							
Beginning of year			41,250,096			87,003,722	128,253,818
End of year			\$ 41,797,067			\$ 81,705,995	\$ 123,503,062

16. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The pandemic has resulted in operational challenges for the Authority as it determines the impact on employees, vendors, and taxpayers, and the appropriate method for providing services. At this time, management does not believe that any ongoing negative financial impact related to the pandemic, if any, would be material to the Authority.

17. RESTATEMENT

The Authority adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result of this change, beginning net position of the Retiree Healthcare Trust Fund for the earliest year presented was increased by \$26,733,539.

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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,			
	2021	2020	2019	2018
Total pension liability				
Service cost	\$ 734,890	716,377	\$ 674,280	\$ 645,677
Interest on total pension liability	4,379,123	4,314,729	4,204,347	4,127,204
Benefit changes	-	-	(63,851)	-
Difference between expected and actual experience	(808,236)	633,935	53,343	(512,109)
Assumption changes	1,071,342	1,707,899	-	-
Benefit payments and refunds	(3,763,502)	(3,628,953)	(3,389,880)	(3,231,682)
Other changes	-	-	-	-
Net change in total pension liability	<u>1,613,617</u>	<u>3,743,987</u>	<u>1,478,239</u>	<u>1,029,090</u>
Total pension liability, beginning of year	<u>59,134,362</u>	<u>55,390,375</u>	<u>53,912,136</u>	<u>52,883,046</u>
Total pension liability, end of year	<u>60,747,979</u>	<u>59,134,362</u>	<u>55,390,375</u>	<u>53,912,136</u>
Plan fiduciary net position				
Employer contributions	3,200,544	3,613,597	3,038,002	2,338,685
Employee contributions	384,453	379,204	342,890	213,873
Pension plan net investment income (loss)	4,576,415	4,202,282	(1,283,966)	3,817,227
Benefit payments and refunds	(3,763,502)	(3,628,953)	(3,389,880)	(3,231,682)
Pension plan administrative expense	(71,334)	(72,297)	(62,581)	(60,412)
Net change in plan fiduciary net position	<u>4,326,576</u>	<u>4,493,833</u>	<u>(1,355,535)</u>	<u>3,077,691</u>
Plan fiduciary net position, beginning of year	<u>35,355,139</u>	<u>30,861,306</u>	<u>32,216,841</u>	<u>29,139,150</u>
Plan fiduciary net position, end of year	<u>39,681,715</u>	<u>35,355,139</u>	<u>30,861,306</u>	<u>32,216,841</u>
Net pension liability	<u>\$ 21,066,264</u>	<u>\$ 23,779,223</u>	<u>\$ 24,529,069</u>	<u>\$ 21,695,295</u>
Plan fiduciary net position as a percentage of total pension liability	65.32%	59.79%	55.72%	59.76%
Covered payroll	\$ 7,767,823	7,371,527	\$ 6,970,791	\$ 6,591,541
Net pension liability as a percentage of covered payroll	271.20%	322.58%	351.88%	329.14%

See notes to required supplementary information.



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
<u>\$ 23,743,896</u>	<u>\$ 24,050,720</u>	<u>\$ 18,749,498</u>

55.10%	53.26%	60.84%
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\$ 6,618,831	\$ 6,704,320	\$ 6,907,282
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358.73%	358.73%	271.45%
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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
2021	\$ 3,167,417	\$ 3,167,417	\$ -	\$ 7,693,352	41.17%
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,			
	2021	2020	2019	2018
Total other postemployment benefit liability				
Service cost	\$ 179,615	\$ 239,894	\$ 224,680	\$ 217,372
Interest on total other postemployment benefit liability	1,980,377	2,122,790	2,048,287	1,994,044
Difference between expected and actual experience	343,893	(109,308)	225,926	-
Assumption changes	3,069,883	(2,508,637)	(103,877)	(100,802)
Benefit payments and refunds	(1,733,284)	(1,310,793)	(1,587,021)	(1,249,001)
Net change in total other postemployment benefit liability	3,840,484	(1,566,054)	807,995	861,613
Total other postemployment benefit liability, beginning of year	26,240,285	27,806,339	26,998,344	26,136,731
Total other postemployment benefit liability, end of year	30,080,769	26,240,285	27,806,339	26,998,344
Plan fiduciary net position				
Employer contributions	433,284	1,310,793	1,645,830	1,889,255
Other postemployment benefit plan net investment income	7,483,389	630,118	782,545	1,862,287
Benefit payments and refunds	(1,733,284)	(1,310,793)	(1,587,021)	(1,249,001)
Other postemployment benefit plan administrative expense	(54,668)	(48,929)	(54,532)	(60,553)
Net change in plan fiduciary net position	6,128,721	581,189	786,822	2,441,988
Plan fiduciary net position, beginning of year	27,314,728	26,733,539	25,946,717	23,504,729
Plan fiduciary net position, end of year	33,443,449	27,314,728	26,733,539	25,946,717
Net other postemployment benefit liability (asset)	\$ (3,362,680)	\$ (1,074,443)	\$ 1,072,800	\$ 1,051,627
Plan fiduciary net position as a percentage of total other postemployment benefit liability	111.18%	104.09%	96.14%	96.10%
Covered payroll	\$ 6,921,595	\$ 6,921,595	\$ 6,481,158	\$ 6,481,158
Net other postemployment benefit liability (asset) as a percentage of covered payroll	-48.58%	-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 Contributions

Fiscal Year Ending August 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2021	\$ 363,289	\$ 363,289	\$ -	\$ 7,693,352	4.72%
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	-	7,105,563	24.96%

See notes to required supplementary information.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

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.

Notes to Schedule of Changes in Net Pension Liability and Related Ratios

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

- 2021 - Updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.
- 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.

Methods and assumptions used to determine contribution rates (2021, based on the 12/31/2018 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	15-20 years, depending on division
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.

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

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

- 2021 - The expected return was changed from 7.75% to 7.35%. Additionally, there were revised/updated Rx rebates, mortality, trend, retirement, and turnover.
- 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, 2021

Methods and assumptions used to determine contribution rates (2021, based on the 6/30/2021 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
Healthcare cost trend rate	7.0% for 2021, decreasing 0.5% per year to an ultimate rate of 4.5% for 2031 and later years
Inflation	2.50% per year
Salary increases	2.25% per year
Investment rate of return	7.35%, 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-2021 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, 2021

	City	Township	Total
Operating revenues			
Water sales	\$ 3,651,759	\$ 13,731,102	\$ 17,382,861
Sewage disposal sales	2,872,751	11,776,966	14,649,717
Surcharges and other usage fees:			
Capital improvement surcharge	1,996,962	4,241,669	6,238,631
Construction reserve	52,468	200,707	253,175
Environmental reserve	-	114,388	114,388
Other operating revenue	222,593	1,517,384	1,739,977
Total operating revenues	8,796,533	31,582,216	40,378,749
Operating expenses			
Water distribution	1,752,893	10,192,285	11,945,178
Wastewater treatment	2,993,662	15,728,411	18,722,073
Wastewater pump stations	219,482	1,115,517	1,334,999
Industrial surveillance	50,769	266,738	317,507
Transmission and distribution	2,090,848	5,957,243	8,048,091
Meter service	288,768	995,229	1,283,997
Customer accounting and collections	111,152	381,540	492,692
General and administration	339,896	1,499,061	1,838,957
Total operating expenses	7,847,470	36,136,024	43,983,494
Operating income (loss)	949,063	(4,553,808)	(3,604,745)
Nonoperating revenues (expenses)			
Investment earnings	32,776	142,601	175,377
Connection fees	-	226,766	226,766
Interest and amortization expense	(434,868)	(1,113,749)	(1,548,617)
Other nonoperating revenues	-	463	463
Total nonoperating revenues (expenses)	(402,092)	(743,919)	(1,146,011)
Change in net position	546,971	(5,297,727)	(4,750,756)
Net position, beginning of year	41,250,096	87,003,722	128,253,818
Net position, end of year	\$ 41,797,067	\$ 81,705,995	\$ 123,503,062

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Schedule of Revenues, Expenses and Changes in Net Position

Water and Wastewater Allocation

For the Year Ended August 31, 2021

	Water	Wastewater	Total
Operating revenues			
Water sales	\$ 17,382,861	\$ -	\$ 17,382,861
Sewage disposal sales	-	14,649,717	14,649,717
Surcharges and other usage fees:			
Capital improvement surcharge	4,058,043	2,180,588	6,238,631
Construction reserve	77,691	175,484	253,175
Environmental reserve	-	114,388	114,388
Other operating revenue	122,977	1,617,000	1,739,977
Total operating revenues	21,641,572	18,737,177	40,378,749
Operating expenses			
Water distribution	11,945,178	-	11,945,178
Wastewater treatment	-	18,722,073	18,722,073
Wastewater pump stations	-	1,334,999	1,334,999
Industrial surveillance	-	317,507	317,507
Transmission and distribution	4,707,960	3,340,131	8,048,091
Meter service	641,998	641,999	1,283,997
Customer accounting and collections	246,346	246,346	492,692
General and administration	816,397	1,022,560	1,838,957
Total operating expenses	18,357,879	25,625,615	43,983,494
Operating income (loss)	3,283,693	(6,888,438)	(3,604,745)
Nonoperating revenues (expenses)			
Investment earnings	112,373	63,004	175,377
Connection fees	113,382	113,384	226,766
Interest and amortization expense	(427,075)	(1,121,542)	(1,548,617)
Other nonoperating revenues	-	463	463
Total nonoperating revenues (expenses)	(201,320)	(944,691)	(1,146,011)
Change in net position	\$ 3,082,373	\$ (7,833,129)	\$ (4,750,756)

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, 2021

	City		
	Water	Wastewater	Total
Operating revenues			
Water sales	\$ 3,651,759	\$ -	\$ 3,651,759
Sewage disposal sales	-	2,872,751	2,872,751
Surcharges and other usage fees:			
Capital improvement surcharge	1,329,377	667,585	1,996,962
Construction reserve	12,499	39,969	52,468
Environmental reserve	-	-	-
Other operating revenue	64,356	158,237	222,593
Total operating revenues	5,057,991	3,738,542	8,796,533
Operating expenses			
Water distribution	1,752,893	-	1,752,893
Wastewater treatment	-	2,993,662	2,993,662
Wastewater pump stations	-	219,482	219,482
Industrial surveillance	-	50,769	50,769
Transmission and distribution	1,475,925	614,923	2,090,848
Meter service	144,384	144,384	288,768
Customer accounting and collections	55,576	55,576	111,152
General and administration	150,067	189,829	339,896
Total operating expenses	3,578,845	4,268,625	7,847,470
Operating income (loss)	1,479,146	(530,083)	949,063
Nonoperating revenues (expenses)			
Investment earnings	21,543	11,233	32,776
Connection fees	-	-	-
Interest and amortization expense	(179,385)	(255,483)	(434,868)
Other nonoperating revenues	-	-	-
Total nonoperating revenues (expenses)	(157,842)	(244,250)	(402,092)
Change in net position	\$ 1,321,304	\$ (774,333)	\$ 546,971

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Township			
Water	Wastewater	Total	Total
\$ 13,731,102	\$ -	\$ 13,731,102	\$ 17,382,861
-	11,776,966	11,776,966	14,649,717
2,728,666	1,513,003	4,241,669	6,238,631
65,192	135,515	200,707	253,175
-	114,388	114,388	114,388
58,621	1,458,763	1,517,384	1,739,977
<u>16,583,581</u>	<u>14,998,635</u>	<u>31,582,216</u>	<u>40,378,749</u>
10,192,285	-	10,192,285	11,945,178
-	15,728,411	15,728,411	18,722,073
-	1,115,517	1,115,517	1,334,999
-	266,738	266,738	317,507
3,232,035	2,725,208	5,957,243	8,048,091
497,614	497,615	995,229	1,283,997
190,770	190,770	381,540	492,692
666,330	832,731	1,499,061	1,838,957
<u>14,779,034</u>	<u>21,356,990</u>	<u>36,136,024</u>	<u>43,983,494</u>
<u>1,804,547</u>	<u>(6,358,355)</u>	<u>(4,553,808)</u>	<u>(3,604,745)</u>
90,830	51,771	142,601	175,377
113,382	113,384	226,766	226,766
(247,690)	(866,059)	(1,113,749)	(1,548,617)
-	463	463	463
<u>(43,478)</u>	<u>(700,441)</u>	<u>(743,919)</u>	<u>(1,146,011)</u>
<u>\$ 1,761,069</u>	<u>\$ (7,058,796)</u>	<u>\$ (5,297,727)</u>	<u>\$ (4,750,756)</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2021

	City	Township	Total
Water distribution			
Wages	\$ 63,495	\$ 364,946	\$ 428,441
Benefits allocation	42,157	242,301	284,458
Purchased water	1,574,440	9,049,314	10,623,754
Utilities	16,754	213,575	230,329
Maintenance and supplies	1,377	7,913	9,290
Depreciation	1,448	8,323	9,771
Other	11,525	66,249	77,774
Fleet allocation	10,025	57,622	67,647
Engineering allocation	5,538	31,833	37,371
Information technology allocation	3,297	18,948	22,245
Maintenance allocation	22,837	131,261	154,098
	<u>1,752,893</u>	<u>10,192,285</u>	<u>11,945,178</u>
Wastewater treatment			
Wages	273,483	1,436,855	1,710,338
Benefits allocation	181,575	953,980	1,135,555
Utilities	322,921	1,696,598	2,019,519
Sludge removal	136,296	716,089	852,385
Maintenance	294,188	1,545,634	1,839,822
Engineering	6,058	31,828	37,886
Laboratory	3,624	19,043	22,667
Chemicals	115,945	609,167	725,112
Depreciation	1,171,390	6,154,374	7,325,764
Other	35,032	184,054	219,086
Fleet allocation	44,729	234,999	279,728
Engineering allocation	8,874	46,624	55,498
Information technology allocation	18,363	96,474	114,837
Maintenance allocation	318,458	1,673,147	1,991,605
Laboratory allocation	62,726	329,545	392,271
	<u>2,993,662</u>	<u>15,728,411</u>	<u>18,722,073</u>
Wastewater pump stations			
Wages	53,054	278,739	331,793
Benefits allocation	35,224	185,065	220,289
Utilities	87,199	369,318	456,517
Maintenance and supplies	25,689	134,970	160,659
Engineering	30	160	190
Depreciation	12,701	66,729	79,430
Other	-	51,194	51,194
Fleet allocation	449	2,356	2,805
Engineering allocation	5,136	26,986	32,122
	<u>219,482</u>	<u>1,115,517</u>	<u>1,334,999</u>

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2021

	City	Township	Total
Industrial surveillance			
Wages	\$ 25,607	\$ 134,534	\$ 160,141
Benefits allocation	17,001	89,323	106,324
Other	2,580	13,559	16,139
Fleet allocation	2,024	10,634	12,658
Information technology allocation	3,557	18,688	22,245
	<u>50,769</u>	<u>266,738</u>	<u>317,507</u>
Transmission and distribution			
Wages	441,326	1,204,800	1,646,126
Benefits allocation	293,012	799,910	1,092,922
Utilities	19,588	53,472	73,060
Maintenance:			
Shop and office	13,446	36,702	50,148
Water and sewer mains	47,772	130,417	178,189
Depreciation	1,063,452	3,161,731	4,225,183
Other	72,697	189,234	261,931
Fleet allocation	84,514	230,719	315,233
Engineering allocation	23,804	64,982	88,786
Information technology allocation	21,853	59,658	81,511
Maintenance allocation	9,384	25,618	35,002
	<u>2,090,848</u>	<u>5,957,243</u>	<u>8,048,091</u>
Meter service			
Wages	137,891	473,327	611,218
Benefits allocation	91,551	314,259	405,810
Utilities	358	5,234	5,592
Maintenance and supplies	5,889	20,213	26,102
Meter parts	2,153	7,388	9,541
Depreciation	12,134	41,652	53,786
Other	1,113	3,819	4,932
Fleet allocation	32,660	112,111	144,771
Information technology allocation	5,019	17,226	22,245
	<u>288,768</u>	<u>995,229</u>	<u>1,283,997</u>

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2021

	City	Township	Total
Customer accounting and collections			
Wages	\$ 45,302	\$ 155,503	\$ 200,805
Benefits allocation	30,077	103,244	133,321
Utilities	4,560	15,651	20,211
Maintenance and supplies	14,735	50,578	65,313
Postage	9,755	33,485	43,240
Depreciation	869	2,985	3,854
Other	835	2,868	3,703
Information technology allocation	5,019	17,226	22,245
	<u>111,152</u>	<u>381,540</u>	<u>492,692</u>
General and administrative			
Wages	35,321	185,571	220,892
Benefits allocation	23,453	123,205	146,658
Utilities	1,048	3,596	4,644
Maintenance and supplies	2,390	12,549	14,939
Building and liability insurance	34,947	183,607	218,554
Legal and settlements	3,479	18,276	21,755
Other professional services	1,478	7,766	9,244
Depreciation	1,878	9,865	11,743
Other	2,020	6,119	8,139
Bad debt expense	32,593	325	32,918
Fleet allocation	5,119	26,897	32,016
Engineering allocation	4,671	24,536	29,207
Information technology allocation	5,336	28,033	33,369
Maintenance allocation	3,309	17,384	20,693
Human resource allocation	98,712	412,473	511,185
Accounting allocation	84,142	438,859	523,001
	<u>339,896</u>	<u>1,499,061</u>	<u>1,838,957</u>
Fleet			
Wages	39,066	146,962	186,028
Benefits allocation	25,937	97,574	123,511
Maintenance parts and supplies	41,869	157,512	199,381
Gas, oil and grease	26,066	98,057	124,123
Insurance	9,983	37,557	47,540
Depreciation	35,837	134,812	170,649
Other	762	2,864	3,626
Allocated to various departments	(179,520)	(675,338)	(854,858)
	<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, 2021

	City	Township	Total
Human resources			
Wages	\$ 51,380	\$ 214,977	\$ 266,357
Benefits allocation	34,113	142,731	176,844
Utilities	732	2,514	3,246
Safety program	459	1,921	2,380
Legal and professional	926	3,871	4,797
Physicals	2,094	8,761	10,855
Office supplies	281	1,178	1,459
Other	5,156	21,581	26,737
Information technology allocation	3,571	14,939	18,510
Allocated to general and administrative	(98,712)	(412,473)	(511,185)
	-	-	-
Benefits and payroll taxes			
Health insurance	396,354	1,658,381	2,054,735
Life insurance	5,489	22,969	28,458
Disability insurance	9,112	38,125	47,237
Social security	111,600	466,945	578,545
Workers compensation	30,284	126,712	156,996
Pension expense	428,251	1,791,842	2,220,093
Uniforms	4,583	19,175	23,758
Allocated to various departments	(985,673)	(4,124,149)	(5,109,822)
	-	-	-
Maintenance			
Wages	199,507	1,041,200	1,240,707
Benefits allocation	132,460	691,290	823,750
Utilities	2,132	11,125	13,257
Office and supplies	6,847	35,742	42,589
Other professional services	81	425	506
Depreciation	659	3,441	4,100
Other	1,577	8,217	9,794
Information technology allocation	10,725	55,970	66,695
Allocated to various departments	(353,988)	(1,847,410)	(2,201,398)
	-	-	-

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2021

	City	Township	Total
Engineering			
Wages	\$ 19,696	\$ 79,958	\$ 99,654
Benefits allocation	13,077	53,087	66,164
Utilities	96	389	485
Maintenance and supplies	126	513	639
Engineering	13,805	56,043	69,848
Other professional services	831	3,375	4,206
Other	392	1,596	1,988
Allocated to various departments	(48,023)	(194,961)	(242,984)
	-	-	-
Information technology			
Wages	29,197	125,129	154,326
Benefits allocation	19,385	83,077	102,462
Utilities	94	405	499
Maintenance and supplies	28,971	124,161	153,132
Other professional services	577	2,475	3,052
Other	295	1,259	1,554
Allocated to various departments	(78,519)	(336,506)	(415,025)
	-	-	-
Laboratory			
Wages	32,435	170,413	202,848
Benefits allocation	21,535	113,143	134,678
Utilities	403	2,116	2,519
Maintenance and supplies	6,621	34,784	41,405
Contractual services	717	3,762	4,479
Depreciation	685	3,599	4,284
Other	330	1,728	2,058
Allocated to wastewater treatment	(62,726)	(329,545)	(392,271)
	-	-	-
Accounting			
Wages	37,830	198,753	236,583
Benefits allocation	25,116	131,960	157,076
Utilities	421	1,445	1,866
Office supplies	1,135	5,959	7,094
Audit and accounting services	8,954	47,046	56,000
Other	8,907	44,352	53,259
Information technology allocation	1,779	9,344	11,123
Allocated to general and administrative	(84,142)	(438,859)	(523,001)
	-	-	-
Total operating expenses	\$ 7,847,470	\$ 36,136,024	\$ 43,983,494

concluded.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

Water and Wastewater Allocation

For the Year Ended August 31, 2021

	Water	Wastewater	Total
Water distribution			
Wages	\$ 428,441	\$ -	\$ 428,441
Benefits allocation	284,458	-	284,458
Purchased water	10,623,754	-	10,623,754
Utilities	230,329	-	230,329
Maintenance and supplies	9,290	-	9,290
Depreciation	9,771	-	9,771
Other	77,774	-	77,774
Fleet allocation	67,647	-	67,647
Engineering allocation	37,371	-	37,371
Information technology allocation	22,245	-	22,245
Maintenance allocation	154,098	-	154,098
	<u>11,945,178</u>	<u>-</u>	<u>11,945,178</u>
Wastewater treatment			
Wages	-	1,710,338	1,710,338
Benefits allocation	-	1,135,555	1,135,555
Utilities	-	2,019,519	2,019,519
Sludge removal	-	852,385	852,385
Maintenance	-	1,839,822	1,839,822
Engineering	-	37,886	37,886
Laboratory	-	22,667	22,667
Chemicals	-	725,112	725,112
Depreciation	-	7,325,764	7,325,764
Other	-	219,086	219,086
Fleet allocation	-	279,728	279,728
Engineering allocation	-	55,498	55,498
Information technology allocation	-	114,837	114,837
Maintenance allocation	-	1,991,605	1,991,605
Laboratory allocation	-	392,271	392,271
	<u>-</u>	<u>18,722,073</u>	<u>18,722,073</u>
Wastewater pump stations			
Wages	-	331,793	331,793
Benefits allocation	-	220,289	220,289
Utilities	-	456,517	456,517
Maintenance and supplies	-	160,659	160,659
Engineering	-	190	190
Depreciation	-	79,430	79,430
Other	-	51,194	51,194
Fleet allocation	-	2,805	2,805
Engineering allocation	-	32,122	32,122
	<u>-</u>	<u>1,334,999</u>	<u>1,334,999</u>

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

Water and Wastewater Allocation

For the Year Ended August 31, 2021

	Water	Wastewater	Total
Industrial surveillance			
Wages	\$ -	\$ 160,141	\$ 160,141
Benefits allocation	-	106,324	106,324
Other	-	16,139	16,139
Fleet allocation	-	12,658	12,658
Information technology allocation	-	22,245	22,245
	<u>-</u>	<u>317,507</u>	<u>317,507</u>
Transmission and distribution			
Wages	883,640	762,486	1,646,126
Benefits allocation	586,681	506,241	1,092,922
Utilities	39,219	33,841	73,060
Maintenance:			
Shop and office	26,920	23,228	50,148
Water and sewer mains	95,651	82,538	178,189
Depreciation	2,655,660	1,569,523	4,225,183
Other	140,767	121,164	261,931
Fleet allocation	169,217	146,016	315,233
Engineering allocation	47,661	41,125	88,786
Information technology allocation	43,755	37,756	81,511
Maintenance allocation	18,789	16,213	35,002
	<u>4,707,960</u>	<u>3,340,131</u>	<u>8,048,091</u>
Meter service			
Wages	305,609	305,609	611,218
Benefits allocation	202,905	202,905	405,810
Utilities	2,796	2,796	5,592
Maintenance and supplies	13,050	13,052	26,102
Meter parts	4,770	4,771	9,541
Depreciation	26,893	26,893	53,786
Other	2,467	2,465	4,932
Fleet allocation	72,385	72,386	144,771
Information technology allocation	11,123	11,122	22,245
	<u>641,998</u>	<u>641,999</u>	<u>1,283,997</u>

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

Water and Wastewater Allocation

For the Year Ended August 31, 2021

	Water	Wastewater	Total
Customer accounting and collections			
Wages	\$ 100,402	\$ 100,403	\$ 200,805
Benefits allocation	66,661	66,660	133,321
Utilities	10,106	10,105	20,211
Maintenance and supplies	32,657	32,656	65,313
Postage	21,620	21,620	43,240
Depreciation	1,927	1,927	3,854
Other	1,850	1,853	3,703
Information technology allocation	11,123	11,122	22,245
	<u>246,346</u>	<u>246,346</u>	<u>492,692</u>
General and administrative			
Wages	110,446	110,446	220,892
Benefits allocation	73,328	73,330	146,658
Utilities	2,322	2,322	4,644
Maintenance and supplies	7,469	7,470	14,939
Building and liability insurance	109,277	109,277	218,554
Legal and settlements	10,878	10,877	21,755
Other professional services	4,622	4,622	9,244
Depreciation	5,871	5,872	11,743
Other	4,084	4,055	8,139
Bad debt expense	16,459	16,459	32,918
Fleet allocation	16,008	16,008	32,016
Engineering allocation	14,600	14,607	29,207
Information technology allocation	16,685	16,684	33,369
Maintenance allocation	10,347	10,346	20,693
Human resource allocation	152,499	358,686	511,185
Accounting allocation	261,502	261,499	523,001
	<u>816,397</u>	<u>1,022,560</u>	<u>1,838,957</u>
Fleet			
Wages	70,780	115,248	186,028
Benefits allocation	46,993	76,518	123,511
Maintenance parts and supplies	75,861	123,520	199,381
Gas, oil and grease	47,226	76,897	124,123
Insurance	18,088	29,452	47,540
Depreciation	64,928	105,721	170,649
Other	1,381	2,245	3,626
Allocated to various departments	(325,257)	(529,601)	(854,858)
	<u>-</u>	<u>-</u>	<u>-</u>

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

Water and Wastewater Allocation

For the Year Ended August 31, 2021

	Water	Wastewater	Total
Human resources			
Wages	\$ 79,117	\$ 187,240	\$ 266,357
Benefits allocation	52,529	124,315	176,844
Utilities	1,623	1,623	3,246
Safety program	707	1,673	2,380
Legal and professional	1,425	3,372	4,797
Physicals	3,224	7,631	10,855
Office supplies	434	1,025	1,459
Other	7,942	18,795	26,737
Information technology allocation	5,498	13,012	18,510
Allocated to general and administrative	(152,499)	(358,686)	(511,185)
	-	-	-
Benefits and payroll taxes			
Health insurance	610,328	1,444,407	2,054,735
Life insurance	8,453	20,005	28,458
Disability insurance	14,031	33,206	47,237
Social security	171,848	406,697	578,545
Workers compensation	46,633	110,363	156,996
Pension expense	659,444	1,560,649	2,220,093
Uniforms	7,057	16,701	23,758
Allocated to various departments	(1,517,794)	(3,592,028)	(5,109,822)
	-	-	-
Maintenance			
Wages	103,271	1,137,436	1,240,707
Benefits allocation	68,565	755,185	823,750
Utilities	1,103	12,154	13,257
Office and supplies	3,545	39,044	42,589
Other professional services	42	464	506
Depreciation	341	3,759	4,100
Other	816	8,978	9,794
Information technology allocation	5,551	61,144	66,695
Allocated to various departments	(183,234)	(2,018,164)	(2,201,398)
	-	-	-

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

Water and Wastewater Allocation

For the Year Ended August 31, 2021

	Water	Wastewater	Total
Engineering			
Wages	\$ 40,862	\$ 58,792	\$ 99,654
Benefits allocation	27,130	39,034	66,164
Utilities	199	286	485
Maintenance and supplies	262	377	639
Engineering	28,640	41,208	69,848
Other professional services	1,725	2,481	4,206
Other	814	1,174	1,988
Allocated to various departments	(99,632)	(143,352)	(242,984)
	-	-	-
Information technology			
Wages	45,195	109,131	154,326
Benefits allocation	30,006	72,456	102,462
Utilities	146	353	499
Maintenance and supplies	44,845	108,287	153,132
Other professional services	894	2,158	3,052
Other	455	1,099	1,554
Allocated to various departments	(121,541)	(293,484)	(415,025)
	-	-	-
Laboratory			
Wages	-	202,848	202,848
Benefits allocation	-	134,678	134,678
Utilities	-	2,519	2,519
Maintenance and supplies	-	41,405	41,405
Contractual services	-	4,479	4,479
Depreciation	-	4,284	4,284
Other	-	2,058	2,058
Allocated to wastewater treatment	-	(392,271)	(392,271)
	-	-	-
Accounting			
Wages	118,292	118,291	236,583
Benefits allocation	78,538	78,538	157,076
Utilities	933	933	1,866
Office supplies	3,547	3,547	7,094
Audit and accounting services	28,000	28,000	56,000
Other	26,631	26,628	53,259
Information technology allocation	5,561	5,562	11,123
Allocated to general and administrative	(261,502)	(261,499)	(523,001)
	-	-	-
Total operating expenses	\$ 18,357,879	\$ 25,625,615	\$ 43,983,494

concluded.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2021

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Water distribution				
Wages	\$ 418,389	\$ 418,389	\$ 428,441	\$ 10,052
Benefits allocation	378,083	378,083	284,458	(93,625)
Purchased water	10,941,382	10,941,382	10,623,754	(317,628)
Utilities	207,500	207,500	230,329	22,829
Maintenance and supplies	61,090	61,090	9,290	(51,800)
Engineering	1,000	1,000	-	(1,000)
Depreciation	1,420	1,420	9,771	8,351
Other	69,600	69,600	77,774	8,174
Fleet allocation	8,909	8,909	67,647	58,738
Engineering allocation	358	358	37,371	37,013
Information technology allocation	24,070	24,070	22,245	(1,825)
Maintenance allocation	119,750	119,750	154,098	34,348
	<u>12,231,551</u>	<u>12,231,551</u>	<u>11,945,178</u>	<u>(286,373)</u>
Wastewater treatment				
Wages	1,659,607	1,659,607	1,710,338	50,731
Benefits allocation	1,983,066	1,983,066	1,135,555	(847,511)
Utilities	1,765,850	1,765,850	2,019,519	253,669
Sludge removal	1,005,000	1,005,000	852,385	(152,615)
Maintenance	1,431,050	1,431,050	1,839,822	408,772
Engineering	40,000	40,000	37,886	(2,114)
Laboratory	21,075	21,075	22,667	1,592
Chemicals	800,000	800,000	725,112	(74,888)
Depreciation	6,942,171	6,942,171	7,325,764	383,593
Other	435,200	435,200	219,086	(216,114)
Fleet allocation	322,398	322,398	279,728	(42,670)
Engineering allocation	46,533	46,533	55,498	8,965
Information technology allocation	124,385	124,385	114,837	(9,548)
Maintenance allocation	2,350,191	2,350,191	1,991,605	(358,586)
Laboratory allocation	483,342	483,342	392,271	(91,071)
	<u>19,409,868</u>	<u>19,409,868</u>	<u>18,722,073</u>	<u>(687,795)</u>
Wastewater pump stations				
Wages	406,363	406,363	331,793	(74,570)
Benefits allocation	367,215	367,215	220,289	(146,926)
Utilities	428,500	428,500	456,517	28,017
Maintenance and supplies	198,000	198,000	160,659	(37,341)
Engineering	500	500	190	(310)
Depreciation	11,496	11,496	79,430	67,934
Other	35,000	35,000	51,194	16,194
Fleet allocation	-	-	2,805	2,805
Engineering allocation	3,734	3,734	32,122	28,388
	<u>1,450,808</u>	<u>1,450,808</u>	<u>1,334,999</u>	<u>(115,809)</u>

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2021

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Industrial surveillance				
Wages	\$ 186,129	\$ 186,129	\$ 160,141	\$ (25,988)
Benefits allocation	168,198	168,198	106,324	(61,874)
Other	46,575	46,575	16,139	(30,436)
Fleet allocation	-	-	12,658	12,658
Information technology allocation	24,070	24,070	22,245	(1,825)
	<u>424,972</u>	<u>424,972</u>	<u>317,507</u>	<u>(107,465)</u>
Transmission and distribution				
Wages	1,652,479	1,652,479	1,646,126	(6,353)
Benefits allocation	1,493,283	1,493,283	1,092,922	(400,361)
Utilities	64,900	64,900	73,060	8,160
Sewer overflow settlements	85,000	85,000	-	(85,000)
Maintenance:				
Shop and office	36,500	36,500	50,148	13,648
Water and sewer mains	216,200	216,200	178,189	(38,011)
Engineering	1,000	1,000	-	(1,000)
Depreciation	4,525,000	4,525,000	4,225,183	(299,817)
Other	272,500	272,500	261,931	(10,569)
Fleet allocation	436,327	436,327	315,233	(121,094)
Engineering allocation	117,989	117,989	88,786	(29,203)
Information technology allocation	88,260	88,260	81,511	(6,749)
Maintenance allocation	31,718	31,718	35,002	3,284
	<u>9,021,156</u>	<u>9,021,156</u>	<u>8,048,091</u>	<u>(973,065)</u>
Meter service				
Wages	615,317	615,317	611,218	(4,099)
Benefits allocation	556,039	556,039	405,810	(150,229)
Utilities	10,500	10,500	5,592	(4,908)
Maintenance and supplies	9,150	9,150	26,102	16,952
Meter parts	23,000	23,000	9,541	(13,459)
Depreciation	40,925	40,925	53,786	12,861
Other	7,500	7,500	4,932	(2,568)
Fleet allocation	42,074	42,074	144,771	102,697
Information technology allocation	24,070	24,070	22,245	(1,825)
	<u>1,328,575</u>	<u>1,328,575</u>	<u>1,283,997</u>	<u>(44,578)</u>

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2021

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Customer accounting/collections				
Wages	\$ 254,042	\$ 254,042	\$ 200,805	\$ (53,237)
Benefits allocation	229,568	229,568	133,321	(96,247)
Utilities	20,000	20,000	20,211	211
Maintenance and supplies	42,050	42,050	65,313	23,263
Postage	55,000	55,000	43,240	(11,760)
Depreciation	8,136	8,136	3,854	(4,282)
Other	10,450	10,450	3,703	(6,747)
Information technology allocation	24,070	24,070	22,245	(1,825)
	<u>643,316</u>	<u>643,316</u>	<u>492,692</u>	<u>(150,624)</u>
General and administrative				
Wages	208,614	208,614	220,892	12,278
Benefits allocation	1,370,751	1,370,751	146,658	(1,224,093)
Utilities	4,750	4,750	4,644	(106)
Maintenance and supplies	3,200	3,200	14,939	11,739
Building and liability insurance	190,000	190,000	218,554	28,554
Legal and settlements	75,000	75,000	21,755	(53,245)
Other professional services	-	-	9,244	9,244
Depreciation	2,000	2,000	11,743	9,743
Other	59,825	59,825	8,139	(51,686)
Bad debt expense	22,000	22,000	32,918	10,918
Fleet allocation	15,262	15,262	32,016	16,754
Engineering allocation	57,714	57,714	29,207	(28,507)
Information technology allocation	40,117	40,117	33,369	(6,748)
Maintenance allocation	217	217	20,693	20,476
Human resource allocation	620,288	620,288	511,185	(109,103)
Accounting allocation	561,945	561,945	523,001	(38,944)
	<u>3,231,683</u>	<u>3,231,683</u>	<u>1,838,957</u>	<u>(1,392,726)</u>
Fleet				
Wages	183,164	183,164	186,028	2,864
Benefits allocation	165,518	165,518	123,511	(42,007)
Radio maintenance	500	500	-	(500)
Maintenance parts and supplies	140,050	140,050	199,381	59,331
Gas, oil and grease	150,000	150,000	124,123	(25,877)
Insurance	48,000	48,000	47,540	(460)
Depreciation	128,738	128,738	170,649	41,911
Other	9,000	9,000	3,626	(5,374)
Allocated to various departments	(824,970)	(824,970)	(854,858)	(29,888)
	<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, 2021

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Human resources				
Wages	\$ 264,229	\$ 264,229	\$ 266,357	\$ 2,128
Benefits allocation	238,774	238,774	176,844	(61,930)
Utilities	3,600	3,600	3,246	(354)
Safety program	4,000	4,000	2,380	(1,620)
Training and education	6,000	6,000	-	(6,000)
Legal and professional	23,000	23,000	4,797	(18,203)
Physicals	8,000	8,000	10,855	2,855
Office supplies	3,200	3,200	1,459	(1,741)
Depreciation	3,600	3,600	-	(3,600)
Other	45,850	45,850	26,737	(19,113)
Information technology allocation	20,035	20,035	18,510	(1,525)
Allocated to general and administrative	(620,288)	(620,288)	(511,185)	109,103
	-	-	-	-
Benefits and payroll taxes				
Health insurance	2,974,616	2,974,616	2,054,735	(919,881)
Life insurance	28,565	28,565	28,458	(107)
Disability insurance	48,286	48,286	47,237	(1,049)
Social security	562,614	562,614	578,545	15,931
Workers compensation	122,228	122,228	156,996	34,768
Pension expense	3,259,702	3,259,702	2,220,093	(1,039,609)
Uniforms	26,110	26,110	23,758	(2,352)
Allocated to various departments	(7,022,121)	(7,022,121)	(5,109,822)	1,912,299
	-	-	-	-
Maintenance				
Wages	1,232,396	1,232,396	1,240,707	8,311
Benefits allocation	1,113,670	1,113,670	823,750	(289,920)
Utilities	6,400	6,400	13,257	6,857
Office and supplies	52,600	52,600	42,589	(10,011)
Other professional services	2,500	2,500	506	(1,994)
Depreciation	4,100	4,100	4,100	-
Other	18,000	18,000	9,794	(8,206)
Information technology allocation	72,210	72,210	66,695	(5,515)
Allocated to various departments	(2,501,876)	(2,501,876)	(2,201,398)	300,478
	-	-	-	-

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2021

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Engineering				
Wages	\$ 100,755	\$ 100,755	\$ 99,654	\$ (1,101)
Benefits allocation	91,049	91,049	66,164	(24,885)
Utilities	2,000	2,000	485	(1,515)
Maintenance and supplies	26,475	26,475	639	(25,836)
Engineering	1,000	1,000	69,848	68,848
Other professional services	3,000	3,000	4,206	1,206
Other	2,050	2,050	1,988	(62)
Allocated to various departments	(226,329)	(226,329)	(242,984)	(16,655)
	-	-	-	-
Information Technology				
Wages	149,119	149,119	154,326	5,207
Benefits allocation	134,754	134,754	102,462	(32,292)
Utilities	2,400	2,400	499	(1,901)
Maintenance and supplies	164,900	164,900	153,132	(11,768)
Other professional services	-	-	3,052	3,052
Other	2,125	2,125	1,554	(571)
Allocated to various departments	(453,298)	(453,298)	(415,025)	38,273
	-	-	-	-
Laboratory				
Wages	216,938	216,938	202,848	(14,090)
Benefits allocation	196,039	196,039	134,678	(61,361)
Utilities	3,500	3,500	2,519	(981)
Maintenance and supplies	31,300	31,300	41,405	10,105
Contractual services	25,300	25,300	4,479	(20,821)
Depreciation	4,285	4,285	4,284	(1)
Other	5,980	5,980	2,058	(3,922)
Allocated to wastewater treatment	(483,342)	(483,342)	(392,271)	91,071
	-	-	-	-
Accounting				
Wages	223,193	223,193	236,583	13,390
Benefits allocation	201,691	201,691	157,076	(44,615)
Utilities	1,350	1,350	1,866	516
Office supplies	6,650	6,650	7,094	444
Audit and accounting services	61,000	61,000	56,000	(5,000)
Depreciation	5,549	5,549	-	(5,549)
Other	50,500	50,500	53,259	2,759
Information technology allocation	12,012	12,012	11,123	(889)
Allocated to general and administrative	(561,945)	(561,945)	(523,001)	38,944
	-	-	-	-
Total operating expenses	\$ 47,741,929	\$ 47,741,929	\$ 43,983,494	\$ (3,758,435)

concluded.

STATISTICAL SECTION

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Statistical Section Table of Contents

This part of the Authority's annual comprehensive 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 Annual Comprehensive Financial Reports for the relevant year.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Net Position - Unaudited

Last Ten Fiscal Years Ended August 31

	2021	2020	2019	2018	2017
Assets					
Current assets:					
Cash and investments	\$ 624,890	\$ 4,468,972	\$ 7,182,648	\$ 11,571,335	\$ 7,462,754
Receivables, net	7,965,324	11,011,602	6,877,612	5,202,692	5,886,845
Inventories	1,470,890	1,379,721	1,356,111	1,308,354	1,244,573
Prepaid items	77,839	78,891	84,615	63,177	66,928
Total current assets	10,138,943	16,939,186	15,500,986	18,145,558	14,661,100
Noncurrent assets:					
Restricted assets:					
Cash and investments	11,226,575	11,070,455	10,317,690	10,068,302	10,085,571
Bond reserve funds held by City of Ypsilanti	2,487,183	2,487,183	2,449,847	2,449,847	2,449,847
Receivables, long-term portion	70,140	121,990	108,793	167,404	201,813
Capital assets not being depreciated	10,347,333	7,615,974	1,782,679	7,473,054	6,757,861
Capital assets being depreciated, net	173,866,280	179,867,843	189,166,166	190,122,199	198,218,261
Net other postemployment benefit asset	3,362,680	1,074,443	-	-	-
Unamortized bond issuance costs	-	-	-	-	-
Total noncurrent assets	201,360,191	202,237,888	203,825,175	210,280,806	217,713,353
Total assets	211,499,134	219,177,074	219,326,161	228,426,364	232,374,453
Deferred outflows of resources					
Deferred pension amounts [1]	4,165,103	4,140,670	5,504,032	3,199,192	3,757,182
Deferred other postemployment benefit amounts [2]	3,121,933	2,387,225	1,516,214	288,503	-
Deferred charge on refunding	369,463	383,806	403,454	475,864	548,273
Total deferred outflows of resources	7,656,499	6,911,701	7,423,700	3,963,559	4,305,455
Liabilities					
Current liabilities:					
Accounts payable	4,347,165	5,386,251	2,904,283	3,280,914	3,465,874
Retentions, deposits and other liabilities	1,495,427	1,670,821	1,069,593	1,558,475	2,361,163
Accrued interest payable	529,815	713,525	554,634	592,033	614,418
Unearned revenue	376,489	450,519	524,548	598,577	-
Current maturities of long-term debt	5,176,325	6,401,567	4,577,289	4,467,065	4,146,842
Current maturities of accrued compensated absences	530,855	529,403	446,200	437,409	443,814
Total current liabilities	12,456,076	15,152,086	10,076,547	10,934,473	11,032,111
Noncurrent liabilities:					
Long term debt:					
Bonds payable	54,281,722	55,357,964	56,587,965	61,109,778	64,592,710
Environmental liability	591,456	591,456	591,456	591,456	591,456
Accrued compensated absences	530,855	529,403	446,200	437,409	443,813
Net pension liability [1]	21,066,264	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	76,470,297	80,258,046	83,227,490	84,885,565	89,371,875
Total liabilities	88,926,373	95,410,132	93,304,037	95,820,038	100,403,986
Deferred inflows of resources					
Deferred pension amounts [1]	1,918,096	128,028	343,262	1,137,789	261,623
Deferred other postemployment benefit amounts [2]	4,808,102	2,296,797	151,085	97,683	-
Total deferred inflows of resources	6,726,198	2,424,825	494,347	1,235,472	261,623
Net position					
Net investment in capital assets	125,575,029	126,558,092	130,637,045	132,944,274	137,234,843
Restricted	15,390,269	14,722,509	12,767,537	12,518,149	12,535,418
Unrestricted (deficit)	(17,462,236)	(13,026,783)	(10,453,105)	(10,128,010)	(13,755,962)
Total net position	\$ 123,503,062	\$ 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
\$ 5,028,900	\$ 4,597,931	\$ 5,627,411	\$ 6,694,067	\$ 9,673,074
5,764,178	6,360,948	5,752,726	5,170,802	6,123,153
1,133,694	1,091,034	1,057,086	1,069,510	1,143,691
60,913	71,034	366,994	379,129	118,202
11,987,685	12,120,947	12,804,217	13,313,508	17,058,120
9,240,696	9,186,686	9,986,612	10,547,445	10,396,426
2,449,847	2,641,709	2,641,709	2,641,709	2,818,781
226,324	248,007	273,460	292,526	244,318
4,384,763	7,195,157	6,630,946	8,248,464	10,905,836
206,566,465	211,538,034	218,508,207	220,965,939	216,753,174
-	-	-	-	-
-	-	-	-	1,156,689
222,868,095	230,809,593	238,040,934	242,696,083	242,275,224
234,855,780	242,930,540	250,845,151	256,009,591	259,333,344
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
2,010,992	2,187,708	2,076,998	2,767,556	2,199,221
639,426	612,506	993,506	540,782	626,001
-	-	-	-	-
3,856,098	3,762,602	4,672,205	3,588,723	3,043,240
598,206	579,235	521,502	533,585	591,241
10,120,774	10,233,450	10,958,902	9,910,673	9,998,459
65,891,389	68,232,336	69,848,604	70,236,288	65,337,620
591,456	591,456	591,456	591,456	591,456
598,206	579,234	521,502	533,585	591,241
24,050,720	18,749,498	-	-	-
-	-	-	-	-
91,131,771	88,152,524	70,961,562	71,361,329	66,520,317
101,252,545	98,385,974	81,920,464	81,272,002	76,518,776
168,460	-	-	-	-
-	-	-	-	-
168,460	-	-	-	-
142,374,482	147,188,253	151,068,344	155,839,392	159,728,150
11,690,543	11,828,395	12,628,321	13,189,154	13,215,207
(14,701,029)	(12,629,761)	5,228,022	5,709,043	9,871,211
\$ 139,363,996	\$ 146,386,887	\$ 168,924,687	\$ 174,737,589	\$ 182,814,568

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Revenues and Expenses - Unaudited

Last Ten Fiscal Years Ended August 31

	2021	2020	2019	2018	2017
Operating revenues					
Water sales	\$ 17,382,861	\$ 18,417,498	\$ 18,879,901	\$ 18,520,302	\$ 17,650,152
Sewage disposal sales	14,649,717	16,623,003	18,416,240	19,138,366	18,256,939
Surcharges and other usage fees	6,606,194	4,185,143	1,604,042	4,183,629	4,110,517
Other operating revenue	1,739,977	1,421,534	1,546,842	1,891,908	2,027,776
Total operating revenues	<u>40,378,749</u>	<u>40,647,178</u>	<u>40,447,025</u>	<u>43,734,205</u>	<u>42,045,384</u>
Operating expenses					
Water distribution	11,945,178	11,817,682	11,439,057	12,144,581	12,161,179
Wastewater treatment	18,722,073	17,960,178	17,741,510	16,383,759	17,754,991
Wastewater pump stations	1,334,999	1,434,756	1,293,266	1,190,581	1,468,251
Industrial surveillance	317,507	546,703	322,868	391,466	518,743
Transmission and distribution	8,048,091	8,300,069	8,888,368	7,717,835	8,233,710
Meter service	1,283,997	1,480,328	1,357,652	1,039,549	1,343,907
Customer accounting and collections	492,692	562,935	592,279	470,545	680,123
General and administration	1,838,957	2,012,710	1,767,466	1,810,616	2,008,192
Total operating expenses	<u>43,983,494</u>	<u>44,115,361</u>	<u>43,402,466</u>	<u>41,148,932</u>	<u>44,169,096</u>
Operating income (loss)	<u>(3,604,745)</u>	<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	175,377	176,628	255,762	173,521	178,601
Connection fees	226,766	95,616	102,434	86,958	102,322
Interest and amortization expense	(1,548,617)	(1,613,977)	(1,749,872)	(1,872,822)	(2,097,371)
Other nonoperating revenues	463	7,181	723	1,299	4,993
Cost to dispose of capital assets	-	-	-	-	-
Total nonoperating revenues (expenses)	<u>(1,146,011)</u>	<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>\$ (4,750,756)</u>	<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
\$ 17,115,849	\$ 14,774,886	\$ 14,568,698	\$ 13,917,141	\$ 14,548,680
16,226,170	15,986,337	14,855,053	14,325,974	14,479,442
4,213,478	3,969,419	4,016,188	3,915,923	3,890,623
1,626,119	1,578,254	1,560,864	1,627,364	1,598,545
39,181,616	36,308,896	35,000,803	33,786,402	34,517,290
11,684,881	10,070,350	9,908,197	9,483,636	9,036,006
17,818,636	17,278,603	15,860,564	16,150,407	16,249,549
1,283,745	1,241,368	1,136,517	1,285,808	1,620,234
441,557	417,299	379,784	422,880	393,651
8,693,576	7,981,764	7,698,787	7,290,247	7,071,733
1,314,851	1,151,856	1,074,717	1,099,771	1,280,659
681,598	645,635	670,487	673,930	594,560
1,954,380	1,872,990	1,807,617	1,805,957	1,788,764
43,873,224	40,659,865	38,536,670	38,212,636	38,035,156
(4,691,608)	(4,350,969)	(3,535,867)	(4,426,234)	(3,517,866)
166,363	168,048	168,262	187,826	212,126
57,171	20,712	34,051	68,551	35,250
(2,367,830)	(2,320,778)	(2,500,935)	(2,671,012)	(2,757,137)
-	-	21,587	12,871	1,694
(835,873)	-	-	-	-
(2,980,169)	(2,132,018)	(2,277,035)	(2,401,764)	(2,508,067)
\$ (7,671,777)	\$ (6,482,987)	\$ (5,812,902)	\$ (6,827,998)	\$ (6,025,933)

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Revenues and Expenses - City Division - Unaudited

Last Ten Fiscal Years Ended August 31

	2021	2020	2019	2018	2017
Operating revenues					
Water sales	\$ 3,651,759	\$ 4,090,147	\$ 4,439,273	\$ 2,905,530	\$ 2,860,296
Sewage disposal sales	2,872,751	3,734,923	3,985,786	3,979,905	3,756,937
Surcharges and other usage fees	2,049,430	826,697	410,629	3,175,456	3,196,778
Other operating revenue	222,593	158,732	245,489	324,932	363,276
Total operating revenues	<u>8,796,533</u>	<u>8,810,499</u>	<u>9,081,177</u>	<u>10,385,823</u>	<u>10,177,287</u>
Operating expenses					
Water distribution	1,752,893	1,673,522	1,799,055	1,896,372	1,902,930
Wastewater treatment	2,993,662	3,111,592	4,140,868	3,969,782	4,302,035
Wastewater pump stations	219,482	202,739	267,097	256,074	316,680
Industrial surveillance	50,769	86,816	75,356	94,851	125,690
Transmission and distribution	2,090,848	2,345,164	1,984,288	1,977,703	2,188,225
Meter service	288,768	335,708	308,925	237,252	307,488
Customer accounting and collections	111,152	127,900	134,863	107,567	155,679
General and administration	339,896	361,880	409,661	433,522	486,320
Total operating expenses	<u>7,847,470</u>	<u>8,245,321</u>	<u>9,120,113</u>	<u>8,973,123</u>	<u>9,785,047</u>
Operating income (loss)	<u>949,063</u>	<u>565,178</u>	<u>(38,936)</u>	<u>1,412,700</u>	<u>392,240</u>
Nonoperating revenues (expenses)					
Investment earnings	32,776	68,459	94,972	51,730	61,545
Connection fees	-	-	-	11,233	-
Interest and amortization expense	(434,868)	(476,457)	(558,994)	(629,691)	(716,955)
Total nonoperating revenues (expenses)	<u>(402,092)</u>	<u>(407,998)</u>	<u>(464,022)</u>	<u>(566,728)</u>	<u>(655,410)</u>
Income (loss) before contributions and special item	<u>\$ 546,971</u>	<u>\$ 157,180</u>	<u>\$ (502,958)</u>	<u>\$ 845,972</u>	<u>\$ (263,170)</u>

Table 3

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Revenues and Expenses - Township Division - Unaudited

Last Ten Fiscal Years Ended August 31

	2021	2020	2019	2018	2017
Operating revenues					
Water sales	\$ 13,731,102	\$ 14,327,351	\$ 14,440,628	\$ 15,614,772	\$ 14,789,856
Sewage disposal sales	11,776,966	12,888,080	14,430,454	15,158,461	14,500,002
Surcharges and other usage fees	4,556,764	3,358,446	1,193,413	1,008,173	913,739
Other operating revenue	1,517,384	1,262,802	1,301,353	1,566,976	1,664,500
Total operating revenues	<u>31,582,216</u>	<u>31,836,679</u>	<u>31,365,848</u>	<u>33,348,382</u>	<u>31,868,097</u>
Operating expenses					
Water distribution	10,192,285	10,144,160	9,640,002	10,248,209	10,258,249
Wastewater treatment	15,728,411	14,848,586	13,600,642	12,413,977	13,452,956
Wastewater pump stations	1,115,517	1,232,017	1,026,169	934,507	1,151,571
Industrial surveillance	266,738	459,887	247,512	296,615	393,053
Transmission and distribution	5,957,243	5,954,905	6,904,080	5,740,132	6,045,485
Meter service	995,229	1,144,620	1,048,727	802,297	1,036,419
Customer accounting and collections	381,540	435,035	457,416	362,978	524,444
General and administration	1,499,061	1,650,830	1,357,805	1,377,094	1,521,872
Total operating expenses	<u>36,136,024</u>	<u>35,870,040</u>	<u>34,282,353</u>	<u>32,175,809</u>	<u>34,384,049</u>
Operating income (loss)	<u>(4,553,808)</u>	<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	142,601	108,169	160,790	121,791	117,056
Connection fees	226,766	95,616	102,434	75,725	102,322
Interest and amortization expense	(1,113,749)	(1,137,520)	(1,190,878)	(1,243,131)	(1,380,416)
Other nonoperating revenues	463	7,181	723	1,299	4,993
Cost to dispose of capital assets	-	-	-	-	-
Total nonoperating expenses	<u>(743,919)</u>	<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>\$ (5,297,727)</u>	<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
\$ 14,283,342	\$ 12,247,029	\$ 12,064,908	\$ 11,595,295	\$ 12,198,670
12,822,766	12,706,305	11,750,444	11,354,222	11,502,732
940,636	879,650	857,778	897,886	883,376
1,374,056	1,284,880	1,196,852	1,245,995	1,201,278
<u>29,420,800</u>	<u>27,117,864</u>	<u>25,869,982</u>	<u>25,093,398</u>	<u>25,786,056</u>
9,788,135	8,320,239	8,219,443	7,748,542	7,540,571
13,666,897	13,309,708	12,352,206	12,523,028	12,627,526
1,023,224	979,160	897,557	1,007,456	1,311,889
338,674	321,445	295,776	327,902	305,908
6,444,899	5,867,171	5,783,880	5,462,284	5,144,539
1,011,877	885,267	825,638	844,011	984,095
524,489	496,172	515,068	517,174	456,861
1,493,722	1,438,121	1,401,188	1,408,848	1,396,942
<u>34,291,917</u>	<u>31,617,283</u>	<u>30,290,756</u>	<u>29,839,245</u>	<u>29,768,331</u>
<u>(4,871,117)</u>	<u>(4,499,419)</u>	<u>(4,420,774)</u>	<u>(4,745,847)</u>	<u>(3,982,275)</u>
111,944	106,547	106,689	118,501	139,623
57,171	20,712	34,051	68,351	25,896
(1,504,449)	(1,394,897)	(1,511,356)	(1,403,833)	(1,530,367)
-	-	21,587	12,871	1,694
(835,873)	-	-	-	-
<u>(2,171,207)</u>	<u>(1,267,638)</u>	<u>(1,349,029)</u>	<u>(1,204,110)</u>	<u>(1,363,154)</u>
<u>\$ (7,042,324)</u>	<u>\$ (5,767,057)</u>	<u>\$ (5,769,803)</u>	<u>\$ (5,949,957)</u>	<u>\$ (5,345,429)</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Revenues - Unaudited

Last Ten Fiscal Years Ended August 31

	2021	2020	2019	2018	2017
Water revenues					
Operating:					
City bi-monthly	\$ 2,879,382	\$ 2,777,878	\$ 2,673,356	\$ 2,151,608	\$ 2,112,225
Township bi-monthly	5,362,610	5,291,261	5,085,661	7,042,900	6,765,633
City monthly	865,218	841,824	964,293	837,172	846,663
Township monthly	1,191,121	1,123,417	1,040,347	1,115,386	1,169,047
Contract	7,248,117	7,360,055	6,917,449	7,373,236	6,876,635
Ready to serve/surcharge	3,972,147	3,435,493	2,949,014	2,222,062	2,108,869
Other	122,977	104,322	182,994	271,520	152,914
Total operating	21,641,572	20,934,250	19,813,114	21,013,884	20,031,986
Interest	112,373	97,406	143,838	102,615	23,607
Other	113,382	104,322	51,216	43,480	28,585
Total water revenues	<u>\$ 21,867,327</u>	<u>\$ 21,135,978</u>	<u>\$ 20,008,168</u>	<u>\$ 21,159,979</u>	<u>\$ 20,084,178</u>
Wastewater revenues					
Operating:					
City bi-monthly	\$ 1,534,001	\$ 1,427,405	\$ 1,531,631	\$ 1,864,488	\$ 1,698,899
Township bi-monthly	2,897,708	3,107,677	3,646,163	4,898,722	4,703,050
City monthly	410,308	505,159	425,300	507,890	639,660
Township monthly	691,121	465,153	460,315	564,526	967,651
Contract	8,994,677	10,182,441	11,189,839	11,302,740	9,968,705
Ready to serve/surcharge	2,592,362	2,658,548	1,628,921	1,585,688	1,719,838
Other	1,617,000	1,317,212	1,751,743	1,996,267	1,874,862
Total operating	18,737,177	19,663,595	20,633,912	22,720,321	21,572,665
Interest	63,004	79,222	111,924	70,906	33,097
Other	113,847	47,808	51,940	44,777	28,586
Total wastewater revenues	<u>\$ 18,914,028</u>	<u>\$ 19,790,625</u>	<u>\$ 20,797,776</u>	<u>\$ 22,836,004</u>	<u>\$ 21,634,348</u>

Table 5

2016	2015	2014	2013	2012
\$ 2,009,546	\$ 1,832,901	\$ 1,786,477	\$ 1,721,085	\$ 1,650,904
6,453,602	5,687,099	5,658,125	5,573,869	5,662,740
899,828	732,640	788,216	720,470	728,260
2,307,817	1,061,206	1,044,372	1,049,638	1,007,896
5,445,055	5,461,040	5,291,508	4,852,079	5,498,880
2,160,761	2,028,003	2,061,169	1,987,468	1,941,825
272,332	256,839	294,630	287,814	282,321
19,548,941	17,059,728	16,924,497	16,192,423	16,772,826
95,065	95,556	95,765	106,614	119,360
28,585	10,356	17,026	34,275	17,625
<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>
\$ 1,638,121	\$ 1,557,237	\$ 1,516,145	\$ 1,482,505	\$ 1,444,198
4,531,609	4,221,211	4,190,298	4,077,488	4,130,127
560,030	509,095	542,493	503,122	492,530
853,425	837,588	806,097	657,324	720,562
8,642,986	8,861,206	7,800,020	7,605,536	7,692,024
1,669,170	1,568,067	1,590,352	1,559,142	1,555,247
1,737,334	1,694,764	1,630,901	1,708,863	1,709,775
19,632,675	19,249,168	18,076,306	17,593,980	17,744,463
71,298	72,492	72,497	81,212	92,766
28,586	10,356	17,025	34,276	17,625
<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>

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Service Consumption (in cubic feet) - Unaudited

Last Ten Fiscal Years Ended August 31

Fiscal Year	Water Usage	Sewer Usage
2021	478,318,826	1,487,492,781
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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Water and Sewer Revenues - Major Customers

Current Year and Five Years Ago

Company	Product or Service	2021		
		Revenue	Rank	% of Total
Pittsfield Township	Contract community	\$ 7,378,339	1	18.27%
Western Townships Utility Authority	Contract community	5,528,024	2	13.69%
Superior Township	Contract community	2,152,176	3	5.33%
Eastern Michigan University	University	1,231,024	4	3.05%
Augusta Township	Contract community	851,597	5	2.11%
R A C E R / ACM	Manufacturing			
State Hospital	Government	532,249	6	1.32%
Lake in the Woods	Apartments	354,439	7	0.88%
Sun Communities	Multi-Housing	237,700	8	0.59%
Marsh Plating	Manufacturing	227,095	9	0.56%
Willow Run LLC	Manufacturing	205,313	10	0.51%
River Drive Apts	Apartments	178,991	11	0.44%
Forest Knoll	Apartments	178,125	12	0.44%
Sumpter Township	Contract community	152,275	13	0.38%
Rawsonville	Manufacturing	155,269	14	0.38%
Lakeview	Apartments			
Peninsular Place Apts	Apartments	121,598	15	0.30%
Totals		<u>\$ 19,484,214</u>		<u>48.25%</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%
499,883	6	1.28%
447,640	7	1.14%
350,172	9	0.89%
425,829	8	1.09%
115,365	15	0.29%
199,397	11	0.51%
182,978	12	0.47%
204,044	10	0.52%
154,847	13	0.40%
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
2021	\$ 40,780,892	\$ 32,094,930	\$ 8,685,962	\$ 8,947,302	0.97
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

(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).

YPSILANTI COMMUNITY UTILITIES AUTHORITY



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For the Year
Ended
August 31, 2021

Single Audit Act
Compliance

Rehmann

YPSILANTI COMMUNITY UTILITIES AUTHORITY

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

February 24, 2022

Board of Commissioners
Ypsilanti Community Utilities Authority
Ypsilanti, Michigan

We have audited the financial statements of the business-type activities, the major fund, and the aggregate remaining fund information of the **Ypsilanti Community Utilities Authority** (the "Authority"), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated February 24, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Lobson LLC



YPSILANTI COMMUNITY UTILITIES AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2021

Federal Agency / Cluster /Program Title	Assistance Listing Number	Passed Through	Pass-through/ Grantor Number	Federal Expenditures
U.S. Environmental Protection Agency				
Clean Water State Revolving Fund Cluster:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	EGLE	5676-01	\$ 2,920,891
Capitalization Grants for Clean Water State Revolving Funds	66.458	EGLE	5678-01	<u>350,064</u>
Total Expenditures of Federal Awards				<u><u>\$ 3,270,955</u></u>

See notes to schedule of expenditures of federal awards.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the **Ypsilanti Community Utilities Authority** (the "Authority") under programs of the federal government for the year ended August 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in note 1 to the Authority's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the Authority has not elected to use the de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. PASS-THROUGH AGENCIES

The Authority receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
EGLE	Michigan Department of Environment, Great Lakes, and Energy

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**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 24, 2022

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 business-type activities, the major fund, and the aggregate remaining fund information of the **Ypsilanti Community Utilities Authority** (the "Authority"), as of and for the year ended August 31, 2021, 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 24, 2022.

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) as a basis for designing 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 City'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.



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*.

YCUA's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Lohorn LLC". The signature is written in a cursive, flowing style.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

February 24, 2022

Board of Commissioners
Ypsilanti Community Utilities Authority
Ypsilanti, Michigan

Report on Compliance for the Major Federal Program

We have audited the compliance of the **Ypsilanti Community Utilities Authority** (the "Authority") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended August 31, 2021. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.



Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-002. Our opinion on the major federal program is not modified with respect to this matter.

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-002 that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rehmann Lohman LLC

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended August 31, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major programs and type of auditors' report issued on compliance for each major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
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66.458	Clean Water State Revolving Fund Cluster	Unmodified
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Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended August 31, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 – Significant Audit Adjustments

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed certain adjustments (which were approved and posted by management) that were significant to the Authority's financial statements. Accounts receivable were initially understated by approximately \$122,500, and revenue for township benefit charges was initially understated by the same amount.

Cause. Internal controls did not detect all adjustments necessary to properly record year-end balances.

Effect. As a result of this condition, the Authority's financial statements were initially misstated by amounts that were significant to the financial statements.

Recommendation. Management has already taken appropriate corrective action by reviewing and approving the proposed audit adjustments. In future periods, we recommend that management implement procedures to ensure that all general ledger accounts are appropriately reconciled and adjusted at year end.

View of Responsible Officials. The Finance Director will review general ledger accounts in detail to ensure the accounts are reconciled.

Responsible Officials. Finance Director

Estimated Completion Date. August 31, 2022

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended August 31, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS (concluded)

2021-002 – Procurement, Suspension and Debarment of Service Vendors

Finding Type. Immaterial Noncompliance; Significant Deficiency in Internal Controls over Compliance.

Federal program(s)

U.S. Environmental Protection Agency

- Capitalization Grants for Clean Water State Revolving Funds (CFDA# 66.458); Passed through EGLE; All project numbers.

Criteria. A recipient of federal awards is required to determine that vendors being paid with federal funds are not suspended or debarred from doing business with the government. Such procedures are required whenever the amount disbursed to a single vendor in a given fiscal year is expected to be at least \$25,000. Also, recipients of federal awards are required to ensure that federal procurement standards are followed for any purchases over the federal micropurchase threshold. 2 CFR 200.320 requires that these purchases must adhere to one of the allowable procurement methods (sealed bids, competitive proposals, noncompetitive procurement) and maintain documentation of this procurement decision.

Condition. The Authority charged costs for two service vendors to federal grants for which it could not properly document a procurement decision in accordance with 2 CFR 200.320 and for which it did not document its determination regarding suspension and debarment as required under 2 CFR 200.214.

Cause. This condition is a result of the Authority not properly implementing and following drafted policies and procedures related to procurement, suspension and debarment on federal awards. Although the Authority has drafted a policy to cover these areas, this policy has not yet been implemented. Additionally, the Authority appears to have relied on its procurement standards for non-federal projects which are less restrictive than the procurement standards for federal awards.

Effect. As a result of this condition, the Authority could not document a procurement decision for two service vendors in accordance with federal regulations. Additionally, the Authority did not document its determination that these vendors were not suspended or debarred from doing business with the government.

Questioned Costs. No costs were questioned as a result of this finding.

Recommendation. We recommend that the Authority complete and implement their drafted policies to address procurement, suspension, and debarment as soon as practical.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended August 31, 2021

View of Responsible Officials. The Authority's drafted written policies over federal awards will be tailored and implemented as soon as possible to meet the requirements under Federal guidance.

Responsible Officials. Finance Director

Estimated Completion Date. August 31, 2022

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Summary Schedule of Prior Audit Findings

For the Year Ended August 31, 2021

None reported.

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