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# Southeastern Oakland County Water Authority

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**Financial Report  
with Supplementary Information  
June 30, 2023**

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## Independent Auditor's Report

To the Board of Directors  
Southeastern Oakland County Water Authority

### **Opinions**

We have audited the financial statements of the business-type activities and fiduciary activities of Southeastern Oakland County Water Authority (the "Authority") as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise Southeastern Oakland County Water Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of Southeastern Oakland County Water Authority as of June 30, 2023 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

To the Board of Directors  
Southeastern Oakland County Water Authority

- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeastern Oakland County Water Authority's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

October 25, 2023

# Southeastern Oakland County Water Authority

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## Management's Discussion and Analysis

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Our discussion and analysis of the Southeastern Oakland County Water Authority's (SOCWA or the "Authority") financial performance provides an overview of SOCWA's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the Authority's financial statements.

### **Financial Highlights**

Water sales to member and non-member municipalities were over budget for the fiscal year ended June 30, 2023. Actual total water sales were \$28,814,063 compared to budgeted water sales of \$27,718,200. For the fiscal year, sales were \$1,095,863 or 4.0 percent more than budgeted. Total revenue was \$1,379,447 over budget. Operating expenses (excluding depreciation) were over budget by \$257,133. Revenue in excess of operating expenses was \$1,580,337, which was \$1,122,314 over the budgeted amount.

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

The discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's basic financial statements comprise two components: (1) financial statements and (2) notes to the financial statements. This report also contains required supplemental information and other supplemental information in addition to the basic financial statements themselves.

**Financial Statements** – The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private sector business.

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 difference reported as net position. Over time, increases or decreases in total net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenue, expenses, and changes in net position presents information showing how the Authority's net position changed during the most recent fiscal year. 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, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The Authority is a single business-type activity. As such, charges for services are intended to recover all or a significant portion of the costs to provide services. The business-type activity of the Authority includes providing water services to member communities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. Please refer to the notes to the financial statements section of this report.

**Other Information** – In addition to the basic financial statements, this report also presents certain supplemental information. This is limited to the budget analysis information, pension and OPEB schedules, and to this management's discussion and analysis.

## Southeastern Oakland County Water Authority

# Management's Discussion and Analysis (Continued)

### Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets and deferred outflows exceed liabilities and deferred inflows by \$22.3 million at the close of the most recent fiscal year.

By far the largest portion of the Authority's net position is invested in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure). The Authority uses these capital assets to provide services to its member communities; consequently, these assets are not available for future spending.

The following table reflects the condensed statement of net position compared to the prior year:

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Assets - Excluding capital assets	\$ 14,288,018	\$ 13,058,270
Capital assets - Net	<u>15,655,534</u>	<u>15,882,035</u>
Total assets	29,943,552	28,940,305
<b>Deferred Outflows of Resources</b>	630,809	242,238
<b>Liabilities</b>		
Current liabilities	6,882,427	6,404,965
Noncurrent liabilities	<u>620,152</u>	<u>88,303</u>
Total liabilities	7,502,579	6,493,268
<b>Deferred Inflows of Resources</b>	<u>727,791</u>	<u>1,290,597</u>
<b>Net Position</b>		
Net investment in capital assets	15,655,534	15,882,035
Restricted assets	499,361	-
Unrestricted	<u>6,189,096</u>	<u>5,516,643</u>
Total net position	<u><b>\$ 22,343,991</b></u>	<u><b>\$ 21,398,678</b></u>

Operating activities increased the Authority's net position by \$759,737, and nonoperating revenue accounted for an increase of \$185,576 in net position, which net to a cumulative increase of \$945,313 in the Authority's net position.

## Southeastern Oakland County Water Authority

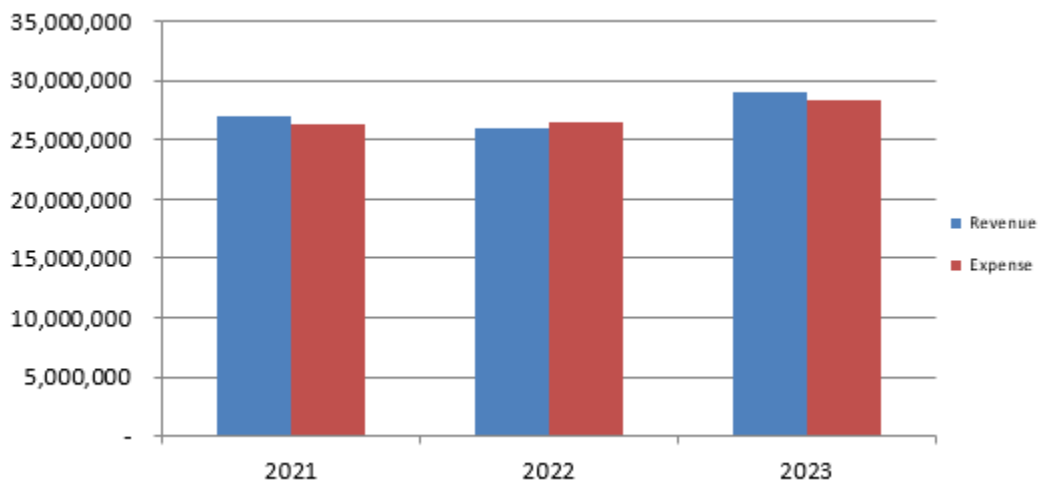
# Management's Discussion and Analysis (Continued)

The following table reflects the condensed statement of revenue, expenses, and changes in net position compared to the prior year:

	2023	2022
<b>Revenue</b>		
Charge for services	\$ 28,814,063	\$ 25,886,858
Rental	130,069	129,213
Interest and other	324,115	52,550
<b>Total revenue</b>	<b>29,268,247</b>	<b>26,068,621</b>
<b>Expenses</b>		
Operating expenses	27,687,910	25,857,385
Depreciation and amortization	635,024	641,431
<b>Total expenses</b>	<b>28,322,934</b>	<b>26,498,816</b>
<b>Change in Net Position</b>	<b>945,313</b>	<b>(430,195)</b>
<b>Net Position - Beginning of year</b>	<b>21,398,678</b>	<b>21,828,873</b>
<b>Net Position - End of year</b>	<b>\$ 22,343,991</b>	<b>\$ 21,398,678</b>

Revenue from water sales for 2023 increased by \$2,927,205 due to a 4.8 percent increase in volume of water sold and a 2.7 percent increase in the water sales rates that was effective as of July 1, 2022. Revenue from all other sources was higher by \$272,421. Operating expenses increased primarily due to higher water purchase expenses.

The following graph reflects the three-year trend of operating revenue and expense:



# **Southeastern Oakland County Water Authority**

## **Management's Discussion and Analysis (Continued)**

### **Capital Asset and Debt Administration**

**Capital Assets** – The Authority's investment in capital assets for its activities as of June 30, 2023 amounted to \$15,655,534 (net of accumulated depreciation). This investment in capital assets includes land, buildings, pump stations, elevated tanks, reservoirs, equipment, and infrastructure. In the current fiscal year, the Authority's total investment in capital assets decreased by 1.43 percent.

Major capital asset events during the fiscal year included the following:

- The initial expenses of \$263,000 for the Webster Tank Separation project
- The initial expenses for the replacement of three pressure relief valves at a cost of \$67,000
- The purchase of two trucks at a cost of \$56,000
- The initial expenses for the replacement of two water meters at a cost of \$8,000
- The replacement of a computer server at a cost of \$7,000
- The final expenses for the replacement of the water main on 14 Mile Road of \$7,000

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

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Authority's budget for the 2023-2024 fiscal year:

- Employee wages were increased by 5.0 percent for union employees and 4.0 percent for salaried employees
- The number of full-time salaried employees remained the same as the budgeted level of 2022-2023
- The number of union employees remained the same at the budgeted level of 2022-23 and includes one open position
- Health insurance costs were increased by 5 percent for active employees and by 2 percent for retirees
- Water sales were estimated as the two-year average for the 2020 and 2022 calendar years.
- Water rates to the member communities and nonmember customers included a 10 percent fixed charge, which will be collected on a monthly basis. Commodity rates were increased by \$0.80 (4.35 percent) per 1,000 cubic feet for the member communities and by \$1.41 (4.35 percent) per 1,000 cubic feet for the nonmember customers
- Capital expenditures were estimated at \$1,295,000 and included \$500,000 for the painting and rehabilitation of the Webster elevated tank, \$500,000 for the first phase of the Webster Tank Separation project, \$100,000 for the replacement of the roofs of the 14 Mile and Buchanan pump stations, \$80,000 for vehicle replacements, \$50,000 for the replacement of cathodic protection systems for the water storage reservoirs, \$35,000 for water meter replacements, \$20,000 for the purchase of a new trailer and \$10,000 for a pilot test for the replacement of the SCADA radio network
- No incremental pension contributions were budgeted because the pension plans were close to being fully funded
- The assets of the OPEB trusts will be used to pay the full amount of our retiree health care costs as both OPEB trusts are overfunded

### **Request for Information**

This financial report is designed to provide a general overview of the Authority'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 the general manager, 3910 W. Webster, Royal Oak, Michigan 48073.



# Southeastern Oakland County Water Authority

## Statement of Net Position

June 30, 2023

### Assets

#### Current assets:

Cash and cash equivalents (Note 2)	\$ 8,681,645
Accounts receivable	4,215,242
Other receivable - Related party (Note 5)	57,620
Other current assets	121,032

Total current assets 13,075,539

#### Noncurrent assets:

Net OPEB asset (Note 6)	450,085
Capital assets: (Note 3)	
Assets not subject to depreciation	1,587,966
Assets subject to depreciation - Net	14,067,568
Lease receivable (Note 8)	762,394

Total noncurrent assets 16,868,013

Total assets 29,943,552

### Deferred Outflows of Resources

Deferred pension costs (Note 7)	581,533
Deferred OPEB costs (Note 6)	49,276

Total deferred outflows of resources 630,809

### Liabilities

#### Current liabilities:

Accounts payable	6,753,421
Other current liabilities	17,433
Accrued compensated absences (Note 1)	111,573

Total current liabilities 6,882,427

#### Noncurrent liabilities:

Accrued compensated absences (Note 1)	90,224
Net pension liability (Note 7)	529,928

Total noncurrent liabilities 620,152

Total liabilities 7,502,579

Deferred Inflows of Resources - Deferred inflows from leases (Note 8) 727,791

### Net Position

Net investment in capital assets	15,655,534
Restricted - OPEB	499,361
Unrestricted	6,189,096

Total net position \$ 22,343,991

# Southeastern Oakland County Water Authority

## Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2023

### Operating Revenue

Water charges - Member municipalities	\$ 18,518,589
Water charges - Nonmember municipalities	10,295,474
Rental income	130,069
Miscellaneous income	138,539
	<hr/>
Total operating revenue	29,082,671

### Operating Expenses

Source of supply	25,489,479
Operating, maintenance, and administration	2,198,431
Depreciation	635,024
	<hr/>
Total operating expenses	28,322,934

### Operating Income

759,737

### Nonoperating Revenue (Expense)

Investment income	138,941
Gain on sale of assets	20,716
Lead service line replacement revenue	2,639,812
Lease interest revenue	25,919
Lead service line replacement expense	(2,639,812)
	<hr/>
Total nonoperating revenue	185,576

### Change in Net Position

945,313

### Net Position - Beginning of year

21,398,678

### Net Position - End of year

\$ 22,343,991

# Southeastern Oakland County Water Authority

## Statement of Cash Flows

Year Ended June 30, 2023

### Cash Flows from Operating Activities

Receipts from customers	\$ 28,072,660
Receipts from related parties	471,134
Payments to suppliers	(26,221,728)
Payments to employees and fringes	(1,384,065)
Other payments	(83,834)

Net cash and cash equivalents provided by operating activities 854,167

### Cash Flows from Noncapital Financing Activities

Payments for lead service line replacement	(2,639,812)
Receipt for lead service line replacement	2,639,812

Net cash and cash equivalents used in noncapital financing activities -

### Cash Flows from Capital and Related Financing Activities

Proceeds from sale of capital assets	20,716
Purchase of capital assets	(408,523)

Cash Flows Provided by Investing Activities - Interest received on investments 148,752

Net Increase in Cash and Cash Equivalents 615,112

Cash and Cash Equivalents - Beginning of year 8,066,533

Cash and Cash Equivalents - End of year \$ 8,681,645

### Reconciliation of Operating Gain to Net Cash from Operating Activities

Operating gain	\$ 759,737
Adjustments to reconcile operating gain to net cash from operating activities:	
Depreciation	635,024
Changes in assets and liabilities:	
Accounts receivable	(1,093,845)
Related party receivable	(23,510)
Other assets	(12,898)
Net pension liability and related deferred outflows and inflows	148,468
Accounts payable	491,600
Accrued wages	16,193
Net OPEB liability and related deferred outflows and inflows	(43,359)
Other accrued liabilities	(29,274)
Accrued compensated absences	6,031

Total adjustments 94,430

Net cash and cash equivalents provided by operating activities \$ 854,167

**Southeastern Oakland County Water Authority**

**Statement of Fiduciary Net Position**

**June 30, 2023**

	<u>Union Retiree Health Care Trust</u>	<u>Salaried Retiree Health Care Trust</u>	<u>Total Fiduciary Funds</u>
<b>Assets</b> - Interest in pooled investments	\$ 1,085,125	\$ 665,858	\$ 1,750,983
<b>Liabilities</b>	-	-	-
<b>Net Position</b> - Restricted for postemployment benefits other than pension	<u>\$ 1,085,125</u>	<u>\$ 665,858</u>	<u>\$ 1,750,983</u>

# Southeastern Oakland County Water Authority

## Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2023

	Union Retiree Health Care Trust	Salaried Retiree Health Care Trust	Total Fiduciary Funds
<b>Additions</b>			
Investment income - Change in fair value of investments	\$ 76,566	\$ 45,650	\$ 122,216
Employee contributions	-	12,798	12,798
Total additions	76,566	58,448	135,014
<b>Deductions</b>			
Benefit payments	52,947	30,171	83,118
Administrative expenses	1,951	529	2,480
Other	417	12,180	12,597
Total deductions	55,315	42,880	98,195
<b>Net Decrease in Fiduciary Net Position</b>	21,251	15,568	36,819
<b>Net Position - Beginning of year</b>	1,063,874	650,290	1,714,164
<b>Net Position - End of year</b>	<b>\$ 1,085,125</b>	<b>\$ 665,858</b>	<b>\$ 1,750,983</b>

June 30, 2023

### Note 1 - Significant Accounting Policies

#### ***Reporting Entity***

The Southeastern Oakland County Water Authority (the "Authority") was created in 1953 as a Michigan public corporation under Act Number 179 of the Michigan Public Acts of 1952. The Authority provides a water supply system primarily to 12 municipal communities in Oakland County, Michigan. The Authority is governed by a board of trustees, with one member representing each constituent municipality. Principal funding for the Authority is derived from water charges to the member municipalities.

#### **Fiduciary Component Units**

Although legally separate from the Authority, the Retiree Health Care Trusts are reported as fiduciary component units because they are governed by the Authority's board of trustees and impose a financial burden on the Authority.

#### ***Accounting and Reporting Principles***

The Authority follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB).

#### ***Report Presentation***

This report includes the fund-based statements of the Authority. In accordance with government accounting principles, a government-wide presentation with program and general revenue is not applicable to special purpose governments engaged only in business-type activities.

#### ***Fund Accounting***

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The Authority reports all activity in a single proprietary fund, the Water Fund.

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used for authority operations. The Retiree Health Care Trusts are used to account for assets held by the Authority in a trustee capacity that will be used to fund future payment of medical benefits for eligible retirees.

#### ***Basis of Accounting***

Proprietary and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### ***Specific Balances and Transactions***

##### **Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

##### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

**Note 1 - Significant Accounting Policies (Continued)**

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

	Depreciable Life - Years
Pumping stations	10 to 50
Elevated tanks	10 to 50
Reservoirs	10 to 50
SCADA system	10 to 40
Transmission mains and accessories	25 to 100
Meters	10 to 30
Webster office	10 to 25
Equipment and other assets	5 to 25

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net 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 will not be recognized as an outflow of resources (expense) until then. The Authority reports deferred outflows related to deferred pension and OPEB costs, as detailed in Notes 6 and 7.

In addition to liabilities, the statement of net 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 will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows related to deferred leases, as detailed in Note 8.

**Net Position Flow Assumption**

The Authority will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Pension**

The Authority offers a defined benefit pension plan to its employees. The Authority records a net pension asset or liability for the difference between the total pension liability calculated by the actuary and the pension plan’s fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan’s fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefit Costs**

The Authority offers retiree health care benefits to retirees. The Authority records a net OPEB asset or liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan’s fiduciary net position. For the purpose of measuring the net OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan’s fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note 1 - Significant Accounting Policies (Continued)**

**Compensated Absences (Vacation and Sick Leave)**

The Authority allows union employees to accumulate unused vested sick leave. Once an employee has accumulated no less than 960 hours (120 days), the employee shall receive payment at the end of the next fiscal year for all unused sick leave credits earned during the immediately preceding fiscal year. Once an employee has accumulated no less than 320 hours (40 days) and no more than 960 hours (120 days), the employee shall receive payment at the end of the next fiscal year for half of all unused sick leave credits earned during the immediately preceding fiscal year. The Authority allows nonunion employees to accumulate unused vested sick leave. Once an employee has accumulated no less than 320 hours (40 days), the employee shall receive payment at the end of the next fiscal year for all unused sick leave credits earned during the immediately preceding fiscal year. Employees forfeit all rights to vacation time earned if not used within the year following accrual, unless carried over with the consent of management.

As of June 30, 2023, there was \$201,797 of accrued compensated absences, of which \$111,573 was deemed a current liability. Activity during the current year consisted of \$107,643 of reductions to the liability and \$113,674 of additional earned accrued compensated absences.

**Proprietary Funds Operating Classification**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Authority is charges to customers for sales. Operating expenses for the Authority include the cost of sales and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Leases**

The Authority is a lessor for noncancelable leases of cellular towers, parking lots, and land. The Authority recognizes a lease receivable and a deferred inflow of resources in the statement of net position.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The Authority uses the incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.



**Note 1 - Significant Accounting Policies (Continued)**

***Upcoming Accounting Pronouncements***

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2025.

**Note 2 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated two banks, one credit union, and the Oakland County Local Government Investment Pool for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts, certificates of deposit, and local government investment pools but not the remainder of state statutory authority, as listed above. The Authority's deposits and investments are in accordance with statutory authority.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had bank deposits of \$2,431,987 (certificates of deposit and checking and savings accounts) that was uninsured and uncollateralized. The Authority believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools. At year end, the Authority held \$3,333,717 in an investment pool with a weighted-average maturity of 1.18 years.

**Note 2 - Deposits and Investments (Continued)**

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority's investment policy further limits credit risk by limiting investment to the safest type of securities; prequalifying the financial institution, brokers, dealers, intermediaries, and advisors with which the Authority will do business; and diversifying the investment portfolio so that potential losses on individual securities will be minimized. As of June 30, 2023, the Authority held no investments subject to credit risk.

**Concentration of Credit Risk**

The Authority places no limit on the amount it may invest in any one issuer, except for the Oakland County Local Government Investment Pool (the "LGIP"), for which there is a \$4 million limit. Approximately 38 percent of the Authority's investments are in the LGIP.

**Fair Value Measurements**

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, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the above fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

**Investments in Entities that Calculate Net Asset Value per Share**

The Authority holds shares or interests in an investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At June 30, 2023, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Oakland County Local Government Investment Pool	\$ 3,333,717	\$ -	No restrictions	None
MERS Total Market Portfolio	1,750,983	-	No restrictions	None

The Oakland County Local Government Investment Pool is not registered with the SEC and does not issue a separate report. The pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized costs. Accordingly, the investment is reported at fair value. The fair value of the position in the pool is not the same as the value of the pool shares because the pool redeems shares at \$1 per share regardless of current fair value. The LGIP invests assets in a manner that will seek the highest investment return consistent with the preservation of principal and meet the daily liquidity needs of participants.

**Note 2 - Deposits and Investments (Continued)**

The MERS Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. The Municipal Employees' Retirement System (MERS) manages the asset allocation and monitors the underlying investment managers of the MERS Total Market Portfolio.

**Note 3 - Capital Assets**

Capital asset activity of the Authority's business-type activities was as follows:

	Balance July 1, 2022	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 1,195,908	\$ -	\$ -	\$ -	\$ 1,195,908
Construction in progress	54,066	(6,659)	344,651	-	392,058
Subtotal	1,249,974	(6,659)	344,651	-	1,587,966
Capital assets being depreciated:					
Pumping stations	3,834,500	-	-	-	3,834,500
Elevated tanks	1,925,913	-	-	-	1,925,913
Reservoirs	3,239,507	-	-	-	3,239,507
SCADA system	1,830,228	-	-	-	1,830,228
Transmission mains and accessories	20,717,135	6,659	-	-	20,723,794
Meters	1,027,223	-	-	-	1,027,223
Webster office	337,127	-	7,931	(13,998)	331,060
Equipment and other assets	1,733,755	-	55,941	(50,610)	1,739,086
Subtotal	34,645,388	6,659	63,872	(64,608)	34,651,311
Accumulated depreciation	20,013,327	-	635,024	(64,608)	20,583,743
Net capital assets being depreciated	14,632,061	6,659	(571,152)	-	14,067,568
Total	\$ 15,882,035	\$ -	\$ (226,501)	\$ -	\$ 15,655,534

**Note 4 - Risk Management**

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for medical benefits and is a member of the Michigan Municipal League and Michigan Municipal Risk Management Authority sponsored self-insurance/public entity risk pools. The Authority pays annual premiums to the respective pools for general liability, property, auto, workers' compensation, and employee fidelity insurance coverage. The agreements for the formation of the Michigan Municipal Risk Management Authority and the Michigan Municipal League Workers' Compensation Fund provide that the pools will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of limitations imposed by the pool. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 5 - Related Party Transactions**

The Authority has developed a cost-sharing strategy for certain administrative salaries, operating expenses, and capital asset expenses with the Southeastern Oakland County Resource Recovery Authority (SOCRRA). The cost-sharing arrangements resulted in the Authority charging SOCRRA \$454,644 for the year ended June 30, 2023. In addition to these shared costs, the Authority charges and receives an annual office rental fee from SOCRRA in the amount of \$40,000. As of June 30, 2023, the amount of receivables due from SOCRRA was \$57,620.

**Note 6 - Other Postemployment Benefit Plan**

**Plan Description**

The Authority provides OPEB to eligible union and salaried employees and their beneficiaries. There are separate plans for union and salaried employees. SOCRRA and the Authority are joint participants in the salaried plan that operates under the Authority's name. The amounts disclosed represent the Authority's share of the plan, which is estimated to be approximately 51 percent of the nonunion plan. Both plans are administered by the Municipal Employees' Retirement System of Michigan Health Funding Vehicle.

**Benefits Provided**

The union and salaried plans provide health care benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan. The Authority's board has the authority to establish and amend benefit provisions.

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

	Union	Salaried
Date of member count	June 30, 2023	June 30, 2023
Inactive plan members or beneficiaries currently receiving benefits	10	8
Active plan members	6	2
Total plan members	16	10

**Contributions**

Retiree health care costs are paid by the Authority on a pay-as-you-go basis. The Authority has no obligation to make contributions in advance of when the insurance premiums are due for payment. However, the Authority has made contributions to advance-fund these benefits, as determined by the board through annual budget resolutions and through specific board actions. For the fiscal year ended June 30, 2023, the Authority made no contributions to the union and salaried plans. Union employees are not required to make contributions, but certain participants are required to pay copays. Since the salaried plan became effective on January 1, 2002, eligible employees have been required to contribute to the plan based on eligible payroll. The contribution percentage for the year ended June 30, 2023 was 5 percent.

**Net OPEB Liability (Asset)**

The Authority chooses a date for each OPEB plan to measure its net OPEB liability (asset). This is based on the measurement date of each OPEB plan, which may be based on a comprehensive valuation as of that date or based on an earlier valuation that has used procedures to roll the information forward to the measurement date.

	Union	Salaried
Measurement date used for the Authority's net OPEB liability (asset)	June 30, 2023	June 30, 2023
Based on a comprehensive actuarial valuation as of	June 30, 2023	June 30, 2023

**Note 6 - Other Postemployment Benefit Plan (Continued)**

Changes in the net OPEB asset of the union plan during the measurement year were as follows:

Changes in Net OPEB Asset	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
<b>Balance at July 1, 2022</b>	\$ 820,123	\$ 1,063,874	\$ (243,751)
Changes for the year:			
Service cost	5,716	-	5,716
Interest	55,987	-	55,987
Differences between expected and actual experience	(47,182)	-	(47,182)
Changes in assumptions	10,341	-	10,341
Net investment income	-	76,566	(76,566)
Benefit payments, including refunds	(52,946)	(52,946)	-
Administrative expenses	-	(1,951)	1,951
Other	-	(417)	417
Net changes	(28,084)	21,252	(49,336)
<b>Balance at June 30, 2023</b>	<u>\$ 792,039</u>	<u>\$ 1,085,126</u>	<u>\$ (293,087)</u>

The plan's fiduciary net position represents 137.00 percent of the total OPEB liability.

At June 30, 2023, the Authority reported an asset of \$156,998 for its proportionate share of the salaried net OPEB asset. The Authority's proportion of the net OPEB asset was based on the Authority's actuarially required contribution for the year ended June 30, 2023 relative to other contributing employers. At June 30, 2023 and 2022, the Authority's proportion was 51 percent.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2023, the Authority recognized OPEB revenue of \$43,360 from all plans.

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 49,276	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2024	\$ 7,490
2025	(4,252)
2026	46,964
2027	(926)
Total	<u>\$ 49,276</u>

**Note 6 - Other Postemployment Benefit Plan (Continued)**

***Actuarial Assumptions***

The total OPEB liability was determined by utilizing the alternative measurement method as of June 30, 2023 using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

**Expected Point in Time at Which Benefit Payments Will Begin to be Made**

Active plan members were assumed to retire at age 60 or at the first subsequent year in which the member would qualify for benefits.

**Marital Status and Dependency Status**

Active employees and retirees covered under the terms of the OPEB plan who currently have spouses are assumed to be married to those spouses at retirement; those without spouses at the calculation date are assumed to be single at and throughout retirement.

**Mortality**

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

**Turnover**

The turnover assumption was derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

**Health Care Cost Trend Rate**

The expected rate of increase in health care insurance premiums was assumed to be a rate of 5.5 percent initially, reduced to an ultimate rate of 4.5 percent after 10 years.

**Health Insurance Premiums**

Actual 2023 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

**Payroll Growth Rate**

The expected long-term payroll growth rate was assumed to be 3.25 percent, including inflation.

**Investment Rate of Return**

The investment rate of return was assumed to be 6.85 percent, net of OPEB plan investment expense, including inflation.

**Note 6 - Other Postemployment Benefit Plan (Continued)**

***Discount Rate***

As shown below, the discount rate used to measure the total OPEB liability was determined after considering a projection of the cash flows to determine whether the future contributions (made at the current contribution rates) will be sufficient to allow the OPEB plans' fiduciary net position to make all projected future benefit payments of current active and inactive employees.

	Union	Salaried
Assumed investment rate of return	6.85%	6.85%
Are contributions expected to be sufficient to allow fiduciary net position to pay future benefits?	Yes	Yes
Discount rate used to measure total OPEB liability	6.85%	6.85%

***Investment Rate of Return***

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2023 measurement date for each major asset class included in the OPEB plans' target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

**Union and Salaried**

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private investments	20.00	7.00

***Sensitivity of the Net OPEB Asset to Changes in the Discount Rate***

The following presents the net OPEB asset of the Authority, calculated using the discount rate of 6.85 percent, as well as what the Authority's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.85%)	Current Discount Rate (6.85%)	1 Percentage Point Increase (7.85%)
Net OPEB asset of the union plan	\$ (217,740)	\$ (293,087)	\$ (357,869)
Net OPEB asset of the salaried plan	(141,660)	(156,998)	(170,424)

**Note 6 - Other Postemployment Benefit Plan (Continued)**

**Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate**

The following presents the net OPEB asset of the Authority, calculated using the health care cost trend rate of 5.5 percent, gradually decreasing to 4.5 percent, as well as what the Authority's net OPEB asset would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (4.5%, Decreasing to 3.5%)	Current Health Care Cost Trend Rate (5.5%, Decreasing to 4.5%)	1 Percentage Point Increase (6.5%, Decreasing to 5.5%)
Net OPEB asset of the union plan	\$ (358,013)	\$ (293,087)	\$ (218,354)
Net OPEB asset of the salaried plan	(170,025)	(156,998)	(142,386)

**Rate of Return**

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of plan investment expense, was (7.43) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Assumption Changes**

For the 2023 valuations, the discount rate and investment rate of return was changed from 7.00 percent to 6.85 percent. The payroll growth rate was also increased from 3.00 percent to 3.25 percent.

**Note 7 - Pension Plan**

**Plan Description**

Because salaried employees of the Authority and SOCRRA are participants in the Authority's plan, the two authorities are considered joint participants. The amounts disclosed represent only the Authority's share, which is estimated to be approximately 51 percent.

The Authority participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan that covers all employees of the Authority. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmich.com](http://www.mersofmich.com) or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

**Benefits Provided**

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers all full-time authority employees.

Retirement benefits for salaried employees hired before July 1, 2011 are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service. Retirement benefits for union employees hired before July 1, 2011 are calculated as 2.25 percent of the employee's final three-year average salary times the employee's years of service. Union and salaried employees hired after July 1, 2011 are eligible for a hybrid defined benefit contribution plan. Retirement benefits for union and salaried employees participating in the hybrid plan are calculated as 1.0 percent and 1.5 percent, respectively, of the employee's final three-year average salary times the employee's credited years of service. These benefits are established by resolution of the Authority.



**Note 7 - Pension Plan (Continued)**

Normal retirement age is 60, with early retirement at 55 with 25 years of service. A reduced early retirement benefit is available at 50 with 25 years of service and at 55 with 15 years of service. The retirement allowance is reduced by 0.5 percent for each complete month that the retirement date precedes 60. There is no early retirement option for employees hired after July 1, 2011. The vesting period is 10 years for all employees hired before July 1, 2011 and 6 years for employees that are participating in the hybrid plan.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the board of members.

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

Date of member count	December 31, 2022
Inactive plan members or beneficiaries currently receiving benefits	23
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	17
Total employees covered by the plan	42

**Contributions**

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2023, the average active employee contribution rate was 6.0 percent of annual pay for salaried employees, 2.5 percent of annual pay for union employees, and 0 percent for employees hired after July 1, 2011 who were participating in the hybrid plan; the Authority's average contribution rate was \$685 per month for salaried employees, \$2,915 per month for union employees, 10.77 percent of annual pay for salaried employees participating in the hybrid plan, and 4.05 percent of annual pay for union employees participating in the hybrid plan. The Authority's share of pension contributions made during the year was \$40,790.

**Net Pension Liability**

At June 30, 2023, the Authority reported a liability of \$529,928 for its proportionate share of the net pension liability, which was estimated to be 51 percent of the total. The net pension liability reported at June 30, 2023 was determined using a measure of the total pension liability and the pension net position as of December 31, 2022. The December 31, 2022 total pension liability was determined by an actuarial valuation as of that date.

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

For the year ended June 30, 2023, the Authority recognized net pension revenue of \$189,256.

**Note 7 - Pension Plan (Continued)**

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 14,400	\$ -
Changes in assumptions	53,623	-
Net difference between projected and actual earnings on pension plan investments	492,781	-
Employer contributions to the plan subsequent to the measurement date	20,729	-
Total	<u>\$ 581,533</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2024	\$ 105,762
2025	91,467
2026	150,459
2027	213,116
Total	<u>\$ 560,804</u>

**Actuarial Assumptions**

The total pension liability in the December 31, 2022 actuarial valuation was determined using an inflation assumption of 2.50 percent, assumed salary increases (including inflation) of 3.0 percent, and an investment rate of return (gross of investment expenses) of 7.25 percent.

Mortality rates were based on the Pub-2010 Mortality Tables.

The actuarial assumptions used in the December 31, 2022 actuarial valuation date valuation were based on the results of an actuarial experience study for the period from 2014 to 2018.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense 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.

**Note 7 - Pension Plan (Continued)**

**Investment Rate of Return**

Best estimates of arithmetic real rates of return as of the December 31, 2022 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private equity	20.00	7.00

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Authority, calculated using the discount rate of 7.25 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability of the Authority	\$ 1,040,228	\$ 529,928	\$ 88,760

**Pension Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at [www.mersofmich.com](http://www.mersofmich.com). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

**Note 8 - Leases**

The Authority leases certain assets to various third parties. The assets leased include cellular towers, parking lots, and land. Payments are generally fixed monthly rates. At June 30, 2023, the total leases receivable outstanding was \$762,394, and deferred inflows of resources related to leases was \$727,791.

During the year ended June 30, 2023, the Authority recognized the following related to its lessor agreements:

Lease revenue	\$ 80,634
Interest income related to its leases	25,919

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## Required Supplementary Information

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**Southeastern Oakland County Water Authority**

Required Supplementary Information  
 Schedule of the Authority's Proportionate Share of the Net Pension (Asset) Liability  
 Defined Benefit Pension Plan

	<b>Last Nine Plan Years</b>								
	<b>Plan Years Ended December 31</b>								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension (asset) liability	51.00000 %	51.00000 %	53.30000 %	53.50000 %	65.00000 %	62.00000 %	67.00000 %	67.00000 %	67.00000 %
Authority's proportionate share of the net pension (asset) liability	\$ 529,928	\$ (510,093)	\$ (291,956)	\$ 143,106	\$ 651,585	\$ 506,994	\$ 1,341,953	\$ 1,827,001	\$ 1,450,935
Authority's covered payroll	\$ 624,842	\$ 580,114	\$ 601,029	\$ 574,360	\$ 622,349	\$ 631,316	\$ 648,760	\$ 710,649	\$ 734,095
Authority's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	84.81 %	(87.93)%	(48.60)%	24.92 %	104.70 %	80.31 %	206.85 %	257.09 %	197.65 %
Plan fiduciary net position as a percentage of total pension liability	90.30 %	109.46 %	105.45 %	97.36 %	89.72 %	91.50 %	78.90 %	70.20 %	74.70 %

Schedule is built prospectively upon implementation of GASB Statement No. 68

## Southeastern Oakland County Water Authority

### Required Supplementary Information Schedule of Pension Contributions Defined Benefit Pension Plan

**Last Ten Fiscal Years  
Years Ended June 30**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 40,790	\$ 46,726	\$ 54,368	\$ 102,916	\$ 115,437	\$ 134,517	\$ 128,137	\$ 140,595	\$ 164,564	\$ 153,733
Contributions in relation to the statutorily required contribution	40,790	186,726	54,368	357,898	626,993	685,278	648,615	414,360	472,309	466,787
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ (140,000)</b>	<b>\$ -</b>	<b>\$ (254,982)</b>	<b>\$ (511,556)</b>	<b>\$ (550,761)</b>	<b>\$ (520,478)</b>	<b>\$ (273,765)</b>	<b>\$ (307,745)</b>	<b>\$ (313,054)</b>
<b>Authority's Covered Payroll</b>	\$ 624,842	\$ 580,114	\$ 601,029	\$ 574,360	\$ 622,349	\$ 631,316	\$ 648,760	\$ 710,649	\$ 734,095	\$ 771,027
<b>Contributions as a Percentage of Covered Payroll</b>	6.53 %	32.19 %	9.05 %	62.31 %	100.75 %	108.55 %	99.98 %	58.31 %	64.34 %	60.54 %

#### Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	18 years
Asset valuation method	10-year smoothed market
Inflation	2.5 percent
Salary increase	3.0 percent, including inflation
Investment rate of return	7.6 percent
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	MP-2019 applied fully generationally from the Pub-2010 base year of 2010
Other information	None

# Southeastern Oakland County Water Authority

## Required Supplementary Information Schedule of Changes in the Net OPEB Liability and Related Ratios Union

	Last Six Fiscal Years					
	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>						
Service cost	\$ 5,716	\$ 6,436	\$ 5,905	\$ 5,548	\$ 9,935	\$ 10,288
Interest	55,987	60,975	54,942	49,920	64,104	60,356
Differences between expected and actual experience	(47,182)	(88,746)	53,123	(218,105)	(1,738)	(3,053)
Changes in assumptions	10,341	-	-	-	-	-
Benefit payments, including refunds	(52,946)	(45,577)	(11,626)	(27,221)	(17,115)	(10,638)
<b>Net Change in Total OPEB Liability</b>	(28,084)	(66,912)	102,344	(189,858)	55,186	56,953
<b>Total OPEB Liability - Beginning of year</b>	820,123	887,035	784,691	974,549	919,363	862,410
<b>Total OPEB Liability - End of year</b>	<b>\$ 792,039</b>	<b>\$ 820,123</b>	<b>\$ 887,035</b>	<b>\$ 784,691</b>	<b>\$ 974,549</b>	<b>\$ 919,363</b>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ -	\$ 8,839	\$ -	\$ 57,221	\$ 47,115	\$ 40,638
Net investment income	76,566	(95,271)	264,831	20,614	25,653	57,692
Administrative expenses	(1,951)	(2,118)	(1,948)	(1,648)	-	-
Benefit payments, including refunds	(52,946)	(45,577)	(11,626)	(27,221)	(17,115)	(10,638)
Other	(417)	-	(229)	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	21,252	(134,127)	251,028	48,966	55,653	87,692
<b>Plan Fiduciary Net Position - Beginning of year</b>	1,063,874	1,198,001	946,973	898,007	842,354	754,662
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 1,085,126</b>	<b>\$ 1,063,874</b>	<b>\$ 1,198,001</b>	<b>\$ 946,973</b>	<b>\$ 898,007</b>	<b>\$ 842,354</b>
<b>Net OPEB (Asset) Liability - Ending</b>	<b>\$ (293,087)</b>	<b>\$ (243,751)</b>	<b>\$ (310,966)</b>	<b>\$ (162,282)</b>	<b>\$ 76,542</b>	<b>\$ 77,009</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	137.00 %	129.72 %	135.06 %	120.68 %	92.15 %	91.62 %
<b>Covered-employee Payroll</b>	\$ 695,704	\$ 432,144	\$ 467,633	\$ 474,843	\$ 628,766	\$ 604,286
<b>Net OPEB (Asset) Liability as a Percentage of Covered-employee Payroll</b>	(42.13)%	(56.41)%	(66.50)%	(34.18)%	12.17 %	12.74 %

Schedule is built prospectively upon implementation of GASB Statement No. 75





**Southeastern Oakland County Water Authority**

Required Supplementary Information  
 Schedule of the Authority's Proportionate Share of the Net OPEB Liability  
 Salaried

	<b>Last Six Fiscal Years</b>					
	<b>Plan Years Ended June 30</b>					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Authority's proportion of the net OPEB (asset) liability	51.00000 %	51.00000 %	50.00000 %	52.10000 %	54.30000 %	56.00000 %
Authority's proportionate share of the net OPEB (asset) liability	\$ (156,998)	\$ (142,165)	\$ (138,445)	\$ (100,693)	\$ (4,917)	\$ 9,065
Plan fiduciary net position as a percentage of total OPEB liability	185.98 %	175.03 %	156.49 %	143.61 %	101.40 %	97.51 %

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

Schedule is built prospectively upon implementation of GASB Statement No. 75.

## Southeastern Oakland County Water Authority

### Required Supplementary Information Schedule of OPEB Contributions Salaried

	<b>Last Ten Fiscal Years Years Ended June 30</b>									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ 2,929	\$ 3,021	\$ 10,833	\$ 17,749	\$ 18,525	\$ 23,986
Contributions in relation to the actuarially determined contribution	-	-	-	5,532	29,534	33,914	17,112	22,643	20,368	33,033
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (5,532)</b>	<b>\$ (26,605)</b>	<b>\$ (30,893)</b>	<b>\$ (6,279)</b>	<b>\$ (4,894)</b>	<b>\$ (1,843)</b>	<b>\$ (9,047)</b>

**Southeastern Oakland County Water Authority**

**Required Supplementary Information  
Schedule of OPEB Investment Returns**

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	<b>Last Six Fiscal Years Years Ended June 30</b>					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense - Both trusts	7.43 %	(8.01)%	28.19 %	2.36 %	2.97 %	7.78 %

Schedule is built prospectively upon implementation of GASB Statement No. 75

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## Other Supplementary Information

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## Southeastern Oakland County Water Authority

### Other Supplementary Information Schedule of Budget Analysis

Year Ended June 30, 2023

	Original Budget	Actual	(Under) Over Amended Budget
<b>Revenue</b>			
Sale of water - Member municipalities	\$ 17,643,400	\$ 18,518,589	\$ 875,189
Sale of water - Nonmember municipalities	10,074,800	10,295,474	220,674
Rental income	130,600	130,069	(531)
Interest on investments	30,000	138,941	108,941
Lease interest revenue	-	25,919	25,919
Gain on disposal of assets	-	20,716	20,716
Grant revenue	-	92,020	92,020
Miscellaneous income	10,000	46,519	36,519
	<u>27,888,800</u>	<u>29,268,247</u>	<u>1,379,447</u>
<b>Operating Expenses - Excluding Depreciation</b>	<u>27,430,777</u>	<u>27,687,910</u>	<u>257,133</u>
<b>Amount Available for Reserves and Capital Outlay</b>	<u>\$ 458,023</u>	<u>\$ 1,580,337</u>	<u>\$ 1,122,314</u>

# Southeastern Oakland County Water Authority

## Other Supplementary Information Schedule of Budget Operating Expenses Analysis

Year Ended June 30, 2023

	Budget	Actual	Over (Under) Budget
Source of supply - Pump station operations and water purchases for resale	\$ 25,235,737	\$ 25,489,479	\$ 253,742
Meters:			
Labor and supervision	42,650	42,363	(287)
Power and light	9,000	9,044	44
Maintenance of equipment	40,000	39,662	(338)
Total meters	91,650	91,069	(581)
Mains:			
Labor and supervision	24,810	20,476	(4,334)
Maintenance of equipment	30,000	20,671	(9,329)
Miss Dig	45,000	36,375	(8,625)
Total mains	99,810	77,522	(22,288)
Webster pump station operations:			
Labor and supervision	393,505	403,720	10,215
Utilities	48,500	72,965	24,465
Maintenance of equipment	20,000	16,279	(3,721)
Maintenance of building	10,000	6,662	(3,338)
Maintenance of property and grounds	11,000	11,647	647
Safety training	4,500	2,871	(1,629)
Safety maintenance and supplies	5,500	2,037	(3,463)
Supplies	15,000	33,594	18,594
Tools	6,000	10,127	4,127
Maintenance of reservoirs	3,000	15,541	12,541
Maintenance of tanks	2,000	840	(1,160)
Total Webster pump station operations	519,005	576,283	57,278
Webster computer operations:			
Labor and supervision	52,850	57,695	4,845
Website and internet	15,000	14,190	(810)
Computer hardware maintenance	15,000	4,849	(10,151)
Computer software maintenance	15,000	7,606	(7,394)
UPS	2,500	-	(2,500)
Total Webster computer operations	100,350	84,340	(16,010)
Webster - Purification:			
Labor and supervision	59,290	63,915	4,625
Maintenance of equipment	1,000	17	(983)
Supplies	22,000	7,265	(14,735)
Regulatory testing	57,000	56,050	(950)
Total Webster - Purification	139,290	127,247	(12,043)

## Southeastern Oakland County Water Authority

### Other Supplementary Information

### Schedule of Budget Operating Expenses Analysis (Continued)

Year Ended June 30, 2023

	Budget	Actual	Over (Under) Budget
Source of supply - Pump station operations and water purchases for resale	\$ 25,235,737	\$ 25,489,479	\$ 253,742
Meters:			
Labor and supervision	42,650	42,363	(287)
Power and light	9,000	9,044	44
Maintenance of equipment	40,000	39,662	(338)
Total meters	91,650	91,069	(581)
Mains:			
Labor and supervision	24,810	20,476	(4,334)
Maintenance of equipment	30,000	20,671	(9,329)
Miss Dig	45,000	36,375	(8,625)
Total mains	99,810	77,522	(22,288)
Webster pump station operations:			
Labor and supervision	393,505	403,720	10,215
Utilities	48,500	72,965	24,465
Maintenance of equipment	20,000	16,279	(3,721)
Maintenance of building	10,000	6,662	(3,338)
Maintenance of property and grounds	11,000	11,647	647
Safety training	4,500	2,871	(1,629)
Safety maintenance and supplies	5,500	2,037	(3,463)
Supplies	15,000	33,594	18,594
Tools	6,000	10,127	4,127
Maintenance of reservoirs	3,000	15,541	12,541
Maintenance of tanks	2,000	840	(1,160)
Total Webster pump station operations	519,005	576,283	57,278
Webster computer operations:			
Labor and supervision	52,850	57,695	4,845
Website and internet	15,000	14,190	(810)
Computer hardware maintenance	15,000	4,849	(10,151)
Computer software maintenance	15,000	7,606	(7,394)
UPS	2,500	-	(2,500)
Total Webster computer operations	100,350	84,340	(16,010)
Webster - Purification:			
Labor and supervision	59,290	63,915	4,625
Maintenance of equipment	1,000	17	(983)
Supplies	22,000	7,265	(14,735)
Regulatory testing	57,000	56,050	(950)
Total Webster - Purification	139,290	127,247	(12,043)

## Southeastern Oakland County Water Authority

### Other Supplementary Information Schedule of Budget Operating Expenses Analysis (Continued)

Year Ended June 30, 2023

	Budget	Actual	(Under) Over Budget
Oliver pump station operations:			
Labor and supervision	\$ 13,640	\$ 10,923	\$ (2,717)
Utilities	4,500	4,550	50
Maintenance of equipment	1,000	1,200	200
Maintenance of building	1,000	-	(1,000)
Maintenance of property and grounds	3,000	4,215	1,215
Total Oliver pump station operations	23,140	20,888	(2,252)
14 Mile/Lahser meter station:			
Labor and supervision	12,300	10,864	(1,436)
Utilities	600	334	(266)
Maintenance of equipment	4,000	-	(4,000)
Total 14 Mile/Lahser meter station	16,900	11,198	(5,702)
Quarton/Chesterfield meter station:			
Labor and supervision	12,300	10,864	(1,436)
Utilities	600	252	(348)
Maintenance of equipment	2,500	1,512	(988)
Total Quarton/Chesterfield meter station	15,400	12,628	(2,772)
Bloomfield meter station -			
Labor and supervision	5,425	5,543	118
Bloomfield township meter station:			
Labor and supervision	5,425	5,543	118
Maintenance of equipment	2,000	-	(2,000)
Total Bloomfield meter station	7,425	5,543	(1,882)
14 Mile tank and pump station:			
Labor and supervision	31,025	25,236	(5,789)
Utilities	13,000	11,621	(1,379)
Maintenance of equipment	4,000	1,381	(2,619)
Maintenance of building	1,000	-	(1,000)
Maintenance of property and grounds	3,000	7,096	4,096
Maintenance of reservoir	2,000	840	(1,160)
Maintenance of Birmingham Tanks	2,000	-	(2,000)
Maintenance of tanks	2,000	840	(1,160)
Total 14 Mile tank and pump station	58,025	47,014	(11,011)



## Southeastern Oakland County Water Authority

### Other Supplementary Information Schedule of Budget Operating Expenses Analysis (Continued)

Year Ended June 30, 2023

	Budget	Actual	(Under) Over Budget
<b>Samoset tank operations:</b>			
Labor and supervision	\$ 13,640	\$ 10,923	\$ (2,717)
Utilities	1,550	2,085	535
Maintenance of equipment	1,000	-	(1,000)
Maintenance of building	1,000	-	(1,000)
Maintenance of property and grounds	1,000	-	(1,000)
Maintenance of reservoir	2,000	-	(2,000)
<b>Total Samoset tank operations</b>	<b>20,190</b>	<b>13,008</b>	<b>(7,182)</b>
<b>Buchanan pump station:</b>			
Labor and supervision	13,640	10,923	(2,717)
Utilities	2,000	574	(1,426)
Maintenance of equipment	2,000	525	(1,475)
Maintenance of building	1,000	4,857	3,857
Maintenance of property and grounds	500	5,774	5,274
Maintenance of reservoir	1,000	840	(160)
<b>Total Buchanan pump station</b>	<b>20,140</b>	<b>23,493</b>	<b>3,353</b>
<b>Administrative and general:</b>			
Labor and supervision	224,000	222,497	(1,503)
Administrative and office	48,000	20,848	(27,152)
Personnel improvement	5,000	10,240	5,240
Travel and conferences	5,000	1,617	(3,383)
Telephone - Office	3,000	2,661	(339)
Legal	10,000	19,294	9,294
Audit	20,000	23,810	3,810
Social Security	106,000	72,683	(33,317)
Retirement plan	114,000	208,768	94,768
General insurance	39,000	42,936	3,936
Group insurance	201,000	199,082	(1,918)
Workers' compensation	14,000	10,079	(3,921)
Life insurance	3,000	2,267	(733)
Retiree healthcare funding	-	-	-
Consulting	30,000	52,642	22,642
Miscellaneous expense	6,000	13,746	7,746
<b>Total administrative and general</b>	<b>828,000</b>	<b>903,170</b>	<b>75,170</b>
<b>Total operating expenses, excluding depreciation</b>	<b>\$ 27,430,777</b>	<b>\$ 27,687,910</b>	<b>\$ 257,133</b>

# Southeastern Oakland County Water Authority

## Other Supplementary Information Schedule of Accounts Receivable and Analysis of Charges

Year Ended June 30, 2023

	Accounts Receivable Balance June 30, 2022	Water Consumption (1M Cubic Feet)	Lead Service Line Replacement	Total Water Charges	Engineering Projects	Non- Municipal Charges	Amount Due at Beginning of Year + Billing for Year	Total Paid	Account Receivable Balance June 30, 2023
Member municipalities:									
Berkley	\$ 83,355	48,458	\$ 721,198	\$ 889,641	5,591	\$ -	\$ 1,699,785	\$ 1,524,045	\$ 175,740
Beverly Hills	80,119	42,825	-	781,341	5,591	-	867,051	770,935	96,116
Bingham Farms	25,285	11,731	-	213,208	-	-	238,493	206,924	31,569
Birmingham	269,744	122,176	1,011,584	2,235,251	5,591	-	3,522,170	3,240,430	281,740
Clawson	59,326	36,300	-	657,378	-	-	716,704	652,044	64,660
Huntington Woods	44,124	23,206	-	426,985	-	-	471,109	420,872	50,237
Lathrup Village	68,355	15,135	40,057	291,641	-	-	400,053	372,422	27,631
Pleasant Ridge	23,494	11,211	6,319	206,079	-	-	235,892	209,706	26,186
Royal Oak	465,520	278,759	864,898	5,046,589	-	-	6,377,007	5,865,893	511,114
Southfield	695,627	408,913	-	7,507,116	5,591	-	8,208,334	6,859,443	1,348,891
Rackham	5,433	2,323	-	41,920	-	-	47,353	33,827	13,526
Detroit Zoo	23,251	11,917	-	221,440	-	-	244,691	219,316	25,375
<b>Total Member municipalities</b>	<b>1,843,633</b>	<b>1,012,954</b>	<b>2,644,056</b>	<b>18,518,589</b>	<b>22,364</b>	<b>-</b>	<b>23,028,642</b>	<b>20,375,857</b>	<b>2,652,785</b>
Bloomfield Hills	236,485	60,963	-	1,965,084	-	-	2,201,569	1,907,633	293,936
Bloomfield Twp	952,460	257,036	-	8,330,390	-	-	9,282,850	8,098,630	1,184,220
Other Non-Municipal	93,986	-	-	-	-	346,480	440,466	356,165	84,301
<b>Total</b>	<b>\$ 3,126,564</b>	<b>1,330,953</b>	<b>\$ 2,644,056</b>	<b>\$ 28,814,063</b>	<b>\$ 22,364</b>	<b>\$ 346,480</b>	<b>\$ 34,953,527</b>	<b>\$ 30,738,285</b>	<b>\$ 4,215,242</b>

## Southeastern Oakland County Water Authority

### Other Supplementary Information Schedule of Working Capital Analysis

Year Ended June 30, 2023

	June 30	
	2023	2022
Total current assets	\$ 13,075,539	\$ 11,335,341
Less current liabilities	<u>6,882,427</u>	<u>6,404,965</u>
Total working capital	<u>\$ 6,193,112</u>	<u>\$ 4,930,376</u>
Annual operating expenses, excluding depreciation	<u>\$ 27,687,910</u>	<u>\$ 25,857,385</u>
Percentage of working capital to annual operating expense	22.37%	19.07%