Southeastern Oakland County Water Authority

Financial Report
with Supplemental Information
June 30, 2022

Contents

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Independent Auditor's Report

To the Board of Trustees
Southeastern Oakland County Water Authority

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the Southeastern Oakland County Water Authority (the "Authority") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the 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 the Authority as of June 30, 2022 and the respective changes in its financial position and, where applicable, cash flows 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.

Emphasis of Matter

As described in Note 1 to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which changes accounting and financial reporting for leases by governments. Our opinion is not modified with respect to this matter.

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 12 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.

To the Board of Trustees
Southeastern Oakland County Water Authority

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.
- 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 Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental 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 supplemental 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.

Supplemental 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 other supplemental 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 supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

October 25, 2022

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, 2022. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

Water sales to member and non-member municipalities were under budget for the fiscal year ended June 30, 2022. Actual total water sales were $25,886,858 compared to budgeted water sales of $26,907,400. For the fiscal year, sales were $1,020,542 or 3.8 percent less than budgeted. Total revenue was $1,002,779 under budget. Operating expenses (excluding depreciation) were under budget by $484,077. Revenue in excess of operating expenses was $211,236, which was $518,702 under 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.

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 $21.4 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:

	2022	2021
Assets		
Assets - Excluding capital assets	$ 13,058,270	$ 12,784,714
Capital assets - Net	15,882,035	16,425,579
Total assets	28,940,305	29,210,293
Deferred Outflows of Resources	242,238	124,150
Liabilities		
Current liabilities	6,404,965	6,919,965
Noncurrent liabilities	88,303	85,690
Total liabilities	6,493,268	7,005,655
Deferred Inflows of Resources	1,290,597	499,915
Net Position		
Net investment in capital assets	15,882,035	16,425,579
Unrestricted	5,516,643	5,403,294
Total net position	**$ 21,398,678**	**$ 21,828,873**

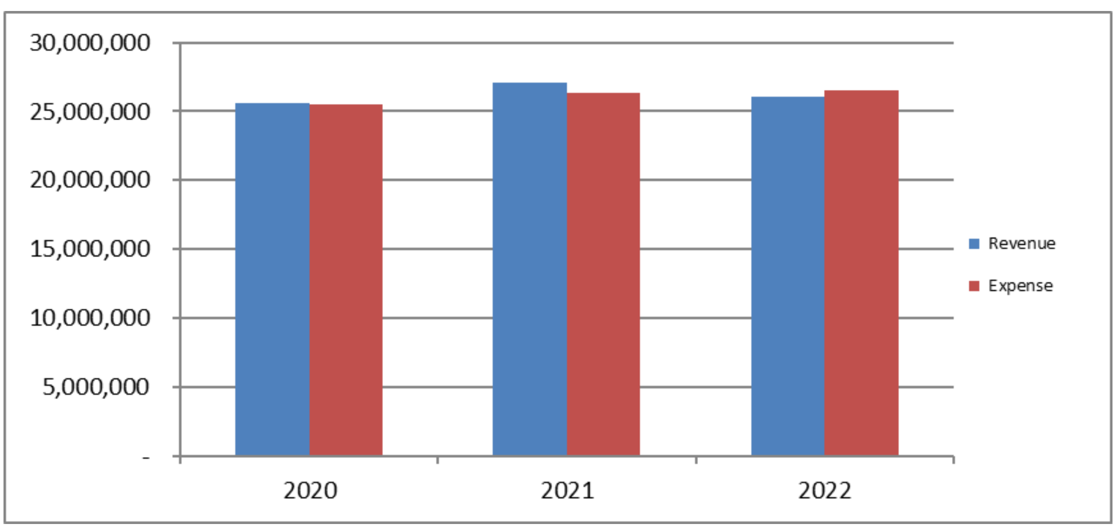
Operating activities decreased the Authority's net position by $480,356, and nonoperating revenue accounted for an increase of $50,161 in net position, which net to a cumulative decrease of $430,195 in the Authority's net position.

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

	2022	2021
Revenue		
Charge for services	$ 25,886,858	$ 26,911,708
Rental	129,213	127,611
Interest and other	52,550	49,564
Total revenue	26,068,621	27,088,883
Expenses		
Operating expenses	25,857,385	25,727,927
Depreciation and amortization	641,431	643,334
Total expenses	26,498,816	26,371,261
Change in Net Position	(430,195)	717,622
Net Position - Beginning of year	21,828,873	21,111,251
Net Position - End of year	**$ 21,398,678**	**$ 21,828,873**

Revenue from water sales for 2022 decreased by $1,024,850 due to a 3.6 percent decrease in volume of water sold and a 1.5 percent increase in the water sales rates that was effective as of July 1, 2021. Revenue from all other sources was higher by $4,588. Operating expenses increased primarily due to higher water purchase expenses.

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



Capital Asset and Debt Administration

Capital Assets – The Authority's investment in capital assets for its activities as of June 30, 2022 amounted to $15,882,035 (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 3.31 percent.

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

- The initial expenses for the Webster Tank Separation project of $46,000
- The replacement of two meter hatch covers at a cost of $22,000
- The replacement of the roof of Samoset Station at a cost of $15,000
- The final expenses for the replacement of the water main on 14 Mile Road of $5,000
- The initial expenses for the Webster elevated tank painting project of $5,000

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 2022-2023 fiscal year:

- Employee wages were increased by 2.5 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 2021-2022 and includes one open position
- The number of union employees remained the same at the budgeted level of 2021-22 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 2019 and 2020 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 $0.43 (2.7 percent) per 1,000 cubic feet for the member communities and by $0.80 (2.7 percent) per 1,000 cubic feet for the nonmember customers
- Capital expenditures were estimated at $1,330,000 and included $1,000,000 for the painting and rehabilitation of the Webster elevated tank, $80,000 for the replacement of the roofs of the 14 Mile and Samoset pump stations, $75,000 for the engineering for the Webster Tank Separation Project, $55,000 for vehicle replacements, $50,000 for water meter replacements, $25,000 for the replacement of transformers at Buchanan Station, $25,000 for SCADA radio system upgrades and $20,000 for obtaining GPS information for SOCWA's underground facilities
- 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.

Statement of Net Position

	June 30, 2022
Assets	
Current assets:	
Cash and cash equivalents (Note 2)	$ 8,066,533
Accounts receivable	3,126,564
Other receivable - Related party (Note 5)	34,110
Other current assets	108,134
Total current assets	11,335,341
Noncurrent assets:	
Net pension asset (Note 7)	510,093
Net OPEB asset (Note 6)	385,916
Capital assets: (Note 3)	
Assets not subject to depreciation	1,249,974
Assets subject to depreciation - Net	14,632,061
Lease receivable (Note 8)	826,920
Total noncurrent assets	17,604,964
Total assets	28,940,305
Deferred Outflows of Resources	
Deferred pension costs (Note 7)	171,950
Deferred OPEB costs (Note 6)	70,288
Total deferred outflows of resources	242,238
Liabilities	
Current liabilities:	
Accounts payable	6,261,821
Other current liabilities	30,514
Unearned revenue	5,167
Accrued compensated absences (Note 1)	107,463
Total current liabilities	6,404,965
Noncurrent liabilities - Accrued compensated absences (Note 1)	88,303
Total liabilities	6,493,268
Deferred Inflows of Resources	
Deferred pension cost reductions (Note 7)	481,970
Deferred OPEB cost reductions (Note 6)	202
Deferred inflows from leases (Note 8)	808,425
Total deferred inflows of resources	1,290,597
Net Position	
Net investment in capital assets	15,882,035
Unrestricted	5,516,643
Total net position	**$ 21,398,678**

Southeastern Oakland County Water Authority

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30, 2022
Operating Revenue	
Water charges - Member municipalities	$ 17,279,546
Water charges - Nonmember municipalities	8,607,312
Rental income	129,213
Miscellaneous income	2,389
Total operating revenue	26,018,460
Operating Expenses	
Source of supply	24,035,292
Operating, maintenance, and administration	1,822,093
Depreciation	641,431
Total operating expenses	26,498,816
Operating Loss	(480,356)
Nonoperating Revenue (Expense)	
Investment income	31,666
Lead service line replacement revenue	2,466,421
Lease interest revenue	18,495
Lead service line replacement expense	(2,466,421)
Total nonoperating revenue	50,161
Change in Net Position	(430,195)
Net Position - Beginning of year	21,828,873
Net Position - End of year	**$ 21,398,678**

See notes to financial statements.

Statement of Cash Flows

Year Ended June 30, 2022

Cash Flows from Operating Activities	
Receipts from customers	$ 26,229,014
Receipts from related parties	872,428
Payments to suppliers	(25,628,589)
Payments to employees and fringes	(1,510,345)
Net cash and cash equivalents used in operating activities	(37,492)
Cash Flows from Noncapital Financing Activities	
Payments for lead service line replacement	(2,466,421)
Receipt for lead service line replacement	2,466,421
Net cash and cash equivalents provided by (used in) noncapital financing activities	-
Cash Flows Used in Financing Activities - Purchase of capital assets	(97,887)
Cash Flows Provided by Investing Activities - Interest received on investments	31,666
Net Decrease in Cash and Cash Equivalents	(103,713)
Cash and Cash Equivalents - Beginning of year	8,170,246
Cash and Cash Equivalents - End of year	**$ 8,066,533**
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	$ (480,356)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	641,431
Changes in assets and liabilities:	
Accounts receivable	210,554
Related party receivable	394,714
Other assets	4,192
Net pension liability and related deferred outflows and inflows	(130,652)
Accounts payable	(465,246)
Accrued wages	(209)
Net OPEB liability and related deferred outflows and inflows	(159,821)
Other accrued liabilities	(40,430)
Accrued compensated absences	(11,669)
Total adjustments	442,864
Net cash and cash equivalents used in operating activities	**$ (37,492)**

See notes to financial statements.

Statement of Fiduciary Net Position

June 30, 2022

	Union Retiree Health Care Trust	Salaried Retiree Health Care Trust	Total Fiduciary Funds
Assets - Interest in pooled investments	$ 1,063,874	$ 650,290	$ 1,714,164
Liabilities	-	-	-
Net Position - Restricted for postemployment benefits other than pension	**$ 1,063,874**	**$ 650,290**	**$ 1,714,164**

See notes to financial statements.

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2022

	Union Retiree Health Care Trust	Salaried Retiree Health Care Trust	Total Fiduciary Funds
Additions			
Investment loss - Change in fair value of investments	$ (95,271)	$ (68,929)	$ (164,200)
Employee contributions	8,839	11,874	20,713
Total additions	(86,432)	(57,055)	(143,487)
Deductions			
Benefit payments	45,577	37,510	83,087
Administrative expenses	2,118	611	2,729
Other	-	21,549	21,549
Total deductions	47,695	59,670	107,365
Net Decrease in Fiduciary Net Position	(134,127)	(116,725)	(250,852)
Net Position - Beginning of year	1,198,001	767,015	1,965,016
Net Position - End of year	**$ 1,063,874**	**$ 650,290**	**$ 1,714,164**

See notes to financial statements.

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 and OPEB and pension costs reductions, as detailed in Notes 6, 7, and 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.

Note 1 - Significant Accounting Policies (Continued)

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.

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, 2022, there was $195,766 of accrued compensated absences, of which $107,463 was deemed a current liability. Activity during the current year consisted of $121,745 of reductions to the liability and $110,076 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.

Note 1 - Significant Accounting Policies (Continued)

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.

Upcoming Accounting Pronouncements

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2023.

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements, the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The Authority does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

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.

Adoption of New Accounting Pronouncement

During the current year, the Authority adopted GASB Statement No. 87, *Leases*. As a result, the Authority now includes receivables for the presented value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease. Lease activity is further described in Note 8.

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.

Note 2 - Deposits and Investments (Continued)

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 $2,208,451 (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. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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 $3,987,446 in an investment pool with a weighted-average maturity of 1.47 years.

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, 2022, 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 49 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.

Note 2 - Deposits and Investments (Continued)

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, 2022, 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	$ 3,987,446	$ -	No restrictions	None
MERS Total Market Portfolio	1,714,164	-	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.

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, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2022
Capital assets not being depreciated:					
Land	$ 1,195,908	$ -	$ -	$ -	$ 1,195,908
Construction in progress	73,138	(72,777)	53,705	-	54,066
Subtotal	1,269,046	(72,777)	53,705	-	1,249,974
Capital assets being depreciated:					
Pumping stations	3,765,320	72,777	4,938	(8,535)	3,834,500
Elevated tanks	1,910,813	-	15,100	-	1,925,913
Reservoirs	3,239,507	-	-	-	3,239,507
SCADA system	1,830,228	-	-	-	1,830,228
Transmission mains and accessories	20,712,063	-	5,072	-	20,717,135
Meters	1,008,151	-	19,072	-	1,027,223
Webster office	337,127	-	-	-	337,127
Equipment and other assets	1,733,755	-	-	-	1,733,755
Subtotal	34,536,964	72,777	44,182	(8,535)	34,645,388
Accumulated depreciation	19,380,431	-	641,431	(8,535)	20,013,327
Net capital assets being depreciated	15,156,533	72,777	(597,249)	-	14,632,061
Total	$ 16,425,579	$ -	$ (543,544)	$ -	$ 15,882,035

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 $437,714 for the year ended June 30, 2022. 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, 2022, the amount of receivables due from SOCRRA was $34,110.

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, 2022	June 30, 2022
Inactive plan members or beneficiaries currently receiving benefits	8	8
Active plan members	8	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, 2022, the Authority made total contributions of $8,839 and $0 to the union and salaried plans, respectively. 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, 2022 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, 2022	June 30, 2022
Based on a comprehensive actuarial valuation as of	June 30, 2022	June 30, 2022

Note 6 - Other Postemployment Benefit Plan (Continued)

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

	Increase (Decrease)		
Changes in Net OPEB Asset	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balance at July 1, 2021	$ 887,035	$ 1,198,001	$ (310,966)
Changes for the year:			
Service cost	6,436	-	6,436
Interest	60,975	-	60,975
Differences between expected and actual experience	(88,746)	-	(88,746)
Contributions - Employer	-	8,839	(8,839)
Net investment income	-	(95,271)	95,271
Benefit payments, including refunds	(45,577)	(45,577)	-
Administrative expenses	-	(2,118)	2,118
Net changes	(66,912)	(134,127)	67,215
Balance at June 30, 2022	$ 820,123	$ 1,063,874	$ (243,751)

The plan's fiduciary net position represents 129.72 percent of the total OPEB liability.

At June 30, 2022, the Authority reported an asset of $142,165 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, 2022 relative to other contributing employers. At June 30, 2022, the Authority’s proportion was 51 percent. At June 30, 2021, the Authority’s proportion was 50 percent.

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

For the year ended June 30, 2022, the Authority recognized OPEB revenue of $148,852 from all plans.

At June 30, 2022, 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
Difference between expected and actual experience	$ -	$ 202
Net difference between projected and actual earnings on OPEB plan investments	70,288	-
Total	$ 70,288	$ 202

Note 6 - Other Postemployment Benefit Plan (Continued)

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
2023	$ 17,102
2024	8,418
2025	(3,325)
2026	47,891
Total	$ 70,086

Actuarial Assumptions

The total OPEB liability was determined by utilizing the alternative measurement method as of June 30, 2022 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 2022 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 3.0 percent, including inflation.

Investment Rate of Return

The investment rate of return was assumed to be 7 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	7.0%	7.0%
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	7.0%	7.0%

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, 2022 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 7.0 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 (6.0%)	Current Discount Rate (7.0%)	1 Percentage Point Increase (8.0%)
Net OPEB asset of the union plan	$ (163,617)	$ (243,751)	$ (312,681)
Net OPEB asset of the salaried plan	(126,342)	(142,165)	(155,957)

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	$ (313,469)	$ (243,751)	$ (163,377)
Net OPEB asset of the salaried plan	(155,557)	(142,165)	(127,071)

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of plan investment expense, was (8.01) 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 2022 valuations, the health care cost trend rate was changed from 7.5 percent decreasing to 5.3 percent to 5.5 percent decreasing to 4.5 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 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, 2021
Inactive plan members or beneficiaries currently receiving benefits	25
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	17
Total employees covered by the plan	43

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, 2022, 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 $2,035 per month for salaried employees, $2,927 per month for union employees, 9.56 percent of annual pay for salaried employees participating in the hybrid plan, and 3.85 percent of annual pay for union employees participating in the hybrid plan. The Authority's share of pension contributions made during the year was $120,617.

Net Pension Asset

At June 30, 2022, the Authority reported an asset of $510,093 for its proportionate share of the net pension asset, which was estimated to be 51 percent of the total. The net pension asset reported at June 30, 2022 was determined using a measure of the total pension liability and the pension net position as of December 31, 2021. The December 31, 2021 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, 2022, the Authority recognized net pension revenue of $15,534.

Note 7 - Pension Plan (Continued)

At June 30, 2022, 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	$ 17,646	$ 57,124
Changes in assumptions	130,863	-
Net difference between projected and actual earnings on pension plan investments	-	424,846
Employer contributions to the plan subsequent to the measurement date	23,441	-
Total	$ 171,950	$ 481,970

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
2023	$ (36,219)
2024	(110,144)
2025	(124,439)
2026	(62,659)
Total	$ (333,461)

Actuarial Assumptions

The total pension liability in the December 31, 2021 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, 2021 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, 2021 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 Asset to Changes in the Discount Rate

The following presents the net pension asset of the Authority, calculated using the discount rate of 7.25 percent, as well as what the Authority's net pension 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 (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension asset of the Authority	$ (1,783)	$ (510,093)	$ (949,022)

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. 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.

Assumption Changes

For the December 31, 2021 measurement date, the discount rate used changed from 7.60 percent decreasing to 7.25 percent.

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, 2022, the total leases receivable outstanding was $826,920, and deferred inflows of resources related to leases was $808,425.

During the year ended June 30, 2022, the Authority recognized the following related to its lessor agreements:

Lease revenue	$ 80,634
Interest income related to its leases	18,495

Required Supplemental Information

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

Last Eight Plan Years

Plan Years Ended December 31

	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension (asset) liability	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	$ (510,093)	$ (291,956)	$ 143,106	$ 651,585	$ 506,994	$ 1,341,953	$ 1,827,001	$ 1,450,935
Authority's covered payroll	$ 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	(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	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

Required Supplemental Information
Schedule of Pension Contributions
Defined Benefit Pension Plan

Last Ten Fiscal Years

Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	$ 46,726	$ 54,368	$ 102,916	$ 115,437	$ 134,517	$ 128,137	$ 140,595	$ 164,564	$ 153,733	$ 104,551
Contributions in relation to the statutorily required contribution	186,726	54,368	357,898	626,993	685,278	648,615	414,360	472,309	466,787	417,497
Contribution Excess	**$ (140,000)**	**$ -**	**$ (254,982)**	**$ (511,556)**	**$ (550,761)**	**$ (520,478)**	**$ (273,765)**	**$ (307,745)**	**$ (313,054)**	**$ (312,946)**
Authority's Covered Payroll	$ 580,114	$ 601,029	$ 574,360	$ 622,349	$ 631,316	$ 648,760	$ 710,649	$ 734,095	$ 771,027	$ 709,510
Contributions as a Percentage of Covered Payroll	32.19 %	9.05 %	62.31 %	100.75 %	108.55 %	99.98 %	58.31 %	64.34 %	60.54 %	58.84 %

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, open
Remaining amortization period	19 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	50 percent male and 50 percent female blend of the RP-2014 Group Mortality Tables
Other information	None

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

Last Five Fiscal Years

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

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

Required Supplemental Information
Schedule of OPEB Contributions
Union

Last Ten Fiscal Years

Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	$ -	$ -	$ -	$ 27,383	$ 27,736	$ 24,234	$ 46,887	$ 72,385	$ 99,839	$ 98,968
Contributions in relation to the actuarially determined contribution	8,839	-	57,221	47,115	40,638	47,893	44,979	84,193	96,557	94,996
Contribution Excess (Deficiency)	**$ 8,839**	**$ -**	**$ 57,221**	**$ 19,732**	**$ 12,902**	**$ 23,659**	**$ (1,908)**	**$ 11,808**	**$ (3,282)**	**$ (3,972)**

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date — The contribution amounts for the year ended June 30, 2022 were based on the June 30, 2022 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	20 years
Asset valuation method	Market value
Inflation	3.0 percent
Health care cost trend rates	Initial trend of 5.5 percent gradually decreasing to 4.5 percent in year 5
Salary increase	3.0 percent
Investment rate of return	7.00 percent, net of OPEB plan investment expense
Retirement age	62, average
Mortality	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years

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

Last Five Fiscal Years

Plan Years Ended June 30

	2022	2021	2020	2019	2018
Authority's proportion of the net OPEB (asset) liability	51.00000 %	50.00000 %	52.10000 %	54.30000 %	56.00000 %
Authority's proportionate share of the net OPEB (asset) liability	$ (142,165)	$ (138,445)	$ (100,693)	$ (4,917)	$ 9,065
Plan fiduciary net position as a percentage of total OPEB liability	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.

Required Supplemental Information
Schedule of OPEB Contributions
Salaried

Last Ten Fiscal Years

Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	$ -	$ -	$ -	$ 2,929	$ 3,021	$ 10,833	$ 17,749	$ 18,525	$ 23,986	$ 22,986
Contributions in relation to the actuarially determined contribution	-	-	5,532	29,534	33,914	17,112	22,643	20,368	33,033	34,608
Contribution Excess	**$ -**	**$ -**	**$ (5,532)**	**$ (26,605)**	**$ (30,893)**	**$ (6,279)**	**$ (4,894)**	**$ (1,843)**	**$ (9,047)**	**$ (11,622)**

Required Supplemental Information
Schedule of OPEB Investment Returns

Last Five Fiscal Years

Years Ended June 30

	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense - Both trusts	(8.01)%	28.19 %	2.36 %	2.97 %	7.78 %

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

Other Supplemental Information

Other Supplemental Information
Schedule of Budget Analysis

Year Ended June 30, 2022

	Original Budget	Actual	(Under) Over Amended Budget
Revenue			
Sale of water - Member municipalities	$ 17,126,900	$ 17,279,546	$ 152,646
Sale of water - Nonmember municipalities	9,780,500	8,607,312	(1,173,188)
Rental income	124,000	129,213	5,213
Interest on investments	30,000	31,666	1,666
Lease interest revenue	-	18,495	18,495
Miscellaneous income	10,000	2,389	(7,611)
Total revenue	27,071,400	26,068,621	(1,002,779)
Operating Expenses - Excluding Depreciation	26,338,347	25,857,385	(484,077)
Amount Available for Reserves and Capital Outlay	**$ 733,053**	**$ 211,236**	**$ (518,702)**

Other Supplemental Information

Schedule of Budget Operating Expenses Analysis

Year Ended June 30, 2022

	Budget	Actual	Over (Under) Budget
Source of supply - Pump station operations and water purchases for resale	$ 24,157,000	$ 24,035,292	$ (121,708)
Meters:			
Labor and supervision	41,345	39,702	(1,643)
Power and light	9,000	7,703	(1,297)
Maintenance of equipment	40,000	61,356	21,356
Total meters	90,345	108,761	18,416
Mains:			
Labor and supervision	26,300	32,076	5,776
Maintenance of equipment	30,000	66,508	36,508
Miss Dig	35,000	45,121	10,121
Total mains	91,300	143,705	52,405
Webster pump station operations:			
Labor and supervision	406,932	419,098	12,166
Utilities	48,500	42,844	(5,656)
Maintenance of equipment	20,000	13,308	(6,692)
Maintenance of building	10,000	14,132	4,132
Maintenance of property and grounds	11,000	9,693	(1,307)
Safety training	4,500	1,974	(2,526)
Safety maintenance and supplies	5,500	2,643	(2,857)
Supplies	15,000	9,438	(5,562)
Tools	6,000	3,679	(2,321)
Maintenance of reservoirs	3,000	6,171	3,171
Maintenance of tanks	2,000	-	(2,000)
Total Webster pump station operations	532,432	522,980	(9,452)
Webster computer operations:			
Labor and supervision	52,455	55,646	3,191
Website and internet	15,000	12,542	(2,458)
Computer hardware maintenance	15,000	15,061	61
Computer software maintenance	15,000	7,053	(7,947)
UPS	2,500	2,421	(79)
Total Webster computer operations	99,955	92,723	(7,232)
Webster - Purification:			
Labor and supervision	57,390	59,933	2,543
Maintenance of equipment	1,000	2,323	1,323
Supplies	22,000	876	(21,124)
Regulatory testing	57,000	68,977	11,977
Total Webster - Purification	137,390	132,109	(5,281)

Other Supplemental Information

Schedule of Budget Operating Expenses Analysis (Continued)

Year Ended June 30, 2022

	Budget	Actual	(Under) Over Budget
Webster - Transportation:			
Labor and supervision	$ 12,050	$ 6,687	$ (5,363)
Maintenance of equipment	20,000	22,059	2,059
Fuel	25,000	16,647	(8,353)
Total Webster - Transportation	57,050	45,393	(11,657)
Total Webster expenses	826,827	793,205	(33,622)
Shafter pump station operations:			
Labor and supervision	23,920	21,900	(2,020)
Utilities	15,000	10,550	(4,450)
Maintenance of equipment	11,000	197	(10,803)
Maintenance of building	6,000	70	(5,930)
Total Shafter pump station operations	55,920	32,717	(23,203)
Lamb pump station operations:			
Labor and supervision	23,920	21,900	(2,020)
Utilities	11,700	9,204	(2,496)
Maintenance of equipment	11,000	855	(10,145)
Maintenance of building	6,000	48	(5,952)
Total Lamb pump station operations	52,620	32,007	(20,613)
12 Mile meter station:			
Labor and supervision	15,675	13,662	(2,013)
Utilities	1,750	1,217	(533)
Maintenance of equipment	2,500	2,319	(181)
Maintenance of building	500	8	(492)
Maintenance of property and grounds	500	165	(335)
Total 12 Mile meter station	20,925	17,371	(3,554)
Gare pump station operations:			
Labor and supervision	30,185	24,394	(5,791)
Utilities	18,200	12,102	(6,098)
Maintenance of equipment	6,000	2,085	(3,915)
Maintenance of building	2,000	3,002	1,002
Maintenance of property and grounds	2,000	1,620	(380)
Maintenance of reservoirs	2,000	-	(2,000)
Total Gare pump station operations	60,385	43,203	(17,182)

Other Supplemental Information
Schedule of Budget Operating Expenses Analysis (Continued)

Year Ended June 30, 2022

	Budget	Actual	(Under) Over Budget
Oliver pump station operations:			
Labor and supervision	$ 11,425	$ 8,570	$ (2,855)
Utilities	4,500	4,065	(435)
Maintenance of equipment	1,000	184	(816)
Maintenance of building	1,000	294	(706)
Maintenance of property and grounds	3,000	1,702	(1,298)
Total Oliver pump station operations	20,925	14,815	(6,110)
14 Mile/Lahser meter station:			
Labor and supervision	10,850	10,471	(379)
Utilities	2,600	303	(2,297)
Maintenance of equipment	4,000	2,373	(1,627)
Total 14 Mile/Lahser meter station	17,450	13,147	(4,303)
Quarton/Chesterfield meter station:			
Labor and supervision	10,850	10,448	(402)
Utilities	600	318	(282)
Maintenance of equipment	2,500	1,657	(843)
Total Quarton/Chesterfield meter station	13,950	12,423	(1,527)
Bloomfield meter station -			
Labor and supervision	5,215	5,223	8
Bloomfield township meter station:			
Labor and supervision	5,215	5,223	8
Maintenance of equipment	2,000	-	(2,000)
Total Bloomfield meter station	7,215	5,223	(1,992)
14 Mile tank and pump station:			
Labor and supervision	30,185	24,371	(5,814)
Utilities	13,000	8,229	(4,771)
Maintenance of equipment	4,000	364	(3,636)
Maintenance of building	1,000	-	(1,000)
Maintenance of property and grounds	3,000	6,961	3,961
Maintenance of reservoir	2,000	-	(2,000)
Maintenance of tanks	2,000	-	(2,000)
Total 14 Mile tank and pump station	55,185	39,925	(15,260)

Other Supplemental Information
Schedule of Budget Operating Expenses Analysis (Continued)

Year Ended June 30, 2022

	Budget	Actual	(Under) Over Budget
Samoset tank operations:			
Labor and supervision	$ 11,425	$ 8,548	$ (2,877)
Utilities	1,550	2,863	1,313
Maintenance of equipment	-	-	-
Maintenance of building	-	-	-
Maintenance of property and grounds	-	-	-
Maintenance of reservoir	-	-	-
Total Samoset tank operations	12,975	11,411	(1,564)
Buchanan pump station:			
Labor and supervision	11,425	11,613	188
Utilities	2,000	917	(1,083)
Maintenance of equipment	3,000	5,409	2,409
Maintenance of building	2,000	148	(1,852)
Maintenance of property and grounds	1,500	3,306	1,806
Maintenance of reservoir	3,000	-	(3,000)
Total Buchanan pump station	22,925	21,393	(1,532)
Administrative and general:			
Labor and supervision	231,000	180,599	(50,401)
Administrative and office	48,000	37,187	(10,813)
Personnel improvement	5,000	5,171	171
Travel and conferences	5,000	608	(4,392)
Telephone - Office	3,000	2,725	(275)
Legal	6,000	15,775	9,775
Audit	19,300	21,300	2,000
Social Security	99,000	73,027	(25,973)
Retirement plan	110,000	(86,334)	(196,334)
General insurance	35,000	30,729	(4,271)
Group insurance	210,000	205,602	(4,398)
Workers' compensation	20,000	12,812	(7,188)
Life insurance	3,000	2,393	(607)
Retiree healthcare funding	-	-	-
Consulting	30,000	20,256	(9,744)
Miscellaneous expense	6,000	5,714	(286)
Total administrative and general	830,300	527,564	(302,736)
Total operating expenses, excluding depreciation	**$ 26,338,347**	**$ 25,857,385**	**$ (484,077)**

Other Supplemental Information
Schedule of Accounts Receivable and Analysis of Charges

Year Ended June 30, 2022

Member municipalities:	Accounts Receivable Balance June 30, 2021	Water Consumption (1M Cubic Feet)	Lead Service Line Replacement	Total Water Charges	Engineering Projects	Amount Due at Beginning of Year + Billing for Year	Total Paid	Account Receivable Balance June 30, 2022
Berkley	$ 74,745	48,486	228,933	$ 866,676	7,589	$ 1,177,943	$ 1,094,588	$ 83,355
Beverly Hills	75,866	38,554	-	691,987	10,344	778,197	698,078	80,119
Bingham Farms	23,202	10,021	-	180,069	2,754	206,025	180,740	25,285
Birmingham	222,991	109,419	1,006,844	1,970,910	7,589	3,208,334	2,938,589	269,745
Clawson	61,743	35,973	-	634,839	10,335	706,917	647,591	59,326
Ferndale	362,327	-	-	-	-	362,327	362,327	-
Huntington Woods	41,764	21,565	-	389,306	10,344	441,414	397,290	44,124
Lathrup Village	35,055	22,067	102,837	395,597	7,589	541,078	472,723	68,355
Pleasant Ridge	21,172	10,294	175,938	185,885	-	382,995	359,501	23,494
Royal Oak	561,063	250,024	941,799	4,451,039	-	5,953,901	5,487,745	466,156
Southfield	690,399	405,359	-	7,252,495	2,499	7,945,393	7,249,766	695,627
Rackham	3,566	905	-	17,977	-	21,543	16,110	5,433
Detroit Zoo	26,567	13,583	-	242,766	-	269,333	246,082	23,251
Total Member municipalities	2,200,460	966,250	2,456,351	17,279,546	59,043	21,995,400	20,151,130	1,844,270
Bloomfield Hills	234,674	51,288	-	1,640,217	2,754	1,877,645	1,641,160	236,485
Bloomfield Twp	896,817	217,281	-	6,967,095	-	7,863,912	6,911,452	952,460
Other - non municipal	-	-	-		93,349	93,349	-	93,349
Total	**$ 3,331,951**	**$ 1,234,819**	**$ 2,456,351**	**$ 25,886,858**	**$ 155,146**	**$ 31,830,306**	**$ 28,703,742**	**$ 3,126,564**

Other Supplemental Information
Schedule of Working Capital Analysis

Year Ended June 30, 2022

	June 30	
	2022	2021
Total current assets	$ 11,335,341	$ 12,043,347
Less current liabilities	6,404,965	6,919,965
Total working capital	**$ 4,930,376**	**$ 5,123,382**
Annual operating expenses, excluding depreciation	**$ 25,857,385**	**$ 25,727,927**
Percentage of working capital to annual operating expense	19.07%	19.91%