

Southeast Macomb Sanitary District

Financial Statements

June 30, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Independent Auditors' Report

To the Board of Trustees
Southeast Macomb Sanitary District
St. Clair Shores, MI

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the proprietary fund and the aggregate remaining fund information of the Southeast Macomb Sanitary District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary fund and the aggregate remaining fund information of the Southeast Macomb Sanitary District as of June 30, 2023, and the respective changes in 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Southeast Macomb Sanitary District, 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 Southeast Macomb Sanitary District'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.

Auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Southeast Macomb Sanitary District'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 Southeast Macomb Sanitary District'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, pension and OPEB schedules, 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during

our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southeast Macomb Sanitary District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes 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 by us. In our opinion, based on our audit, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Auburn Hills, MI
September 20, 2023

Southeast Macomb Sanitary District Management's Discussion and Analysis Year Ended June 30, 2023

Southeast Macomb Sanitary District (the "District") is a joint venture of three cities located in southeast Macomb County: Eastpointe, Roseville, and St. Clair Shores. Pursuant to Act 233, effective October 16, 2017, the District is a Municipal Authority.

The primary role of the District is to operate a sewage transportation system that services the residents of Grosse Pointe Shores, Grosse Pointe Woods, Harper Woods, St. Clair Shores, Eastpointe, and Roseville, Michigan. This annual report consists of a series of financial statements. The statement of net position and the statement of revenue, expenses, and changes in net position provide information about the financial activities of the District. These are followed by the statement of cash flows, which presents detailed information about the changes in the District's cash position during the year.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$23,336,600 (net position). Of this amount, \$13,200,205 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position decreased by \$240,678 for fiscal year 2023 compared to a decrease of \$710,700 for fiscal year 2022. There was no distribution to the member communities in fiscal year 2023 as part of the Board's review and determination of needed reserves.

Overview of the Financial Statements

In analyzing the District's financial position, it is important to recognize the mission of the District. From a financial perspective, the District's core objective is to manage the long-term costs of sewage disposal for its three member cities and their customers. In essence, the District acts as a conduit for its three members. Over time, the amounts to be charged to its members and customers will be equal to the District's costs of providing sewage transportation and treatment and maintaining reserves for the repairs and maintenance of the system's infrastructure.

This discussion and analysis serves as an introduction to the District's basic financial statements.

The basic financial statements are composed of the following:

- The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The statement of revenue, expenses, and changes in net position presents information showing how the District's net position changed during the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported for some items that will only result in cash flows in future fiscal periods.

**Southeast Macomb Sanitary District
Management's Discussion and Analysis
Year Ended June 30, 2023**

- The statement of cash flows presents the change in the District's cash and investments for the current fiscal year.
- The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$23,336,600 at the close of the most recent fiscal year.

The District's Net Position is broken down into the following categories

Invested in Assets	\$10,136,395
Operations and Maintenance Reserves (2 months of actual O&M costs)	5,069,000
Emergency Reserves	3,000,000
Reserves for Macomb County	0
Capital Reinvestment Reserves (based on 10-year plan)	4,552,427
Reserves Used Toward FY2024 Budgeted Operations	285,509
Reserves Available for Future Budgets	293,269

Southeast Macomb Sanitary District
Management's Discussion and Analysis
Year Ended June 30, 2023

The District's Net Position				
	2023	2022	Change	% Change
Assets				
Current and other assets				
Cash and investments	\$ 14,968,758	\$ 16,785,625	\$ (1,816,867)	-10.82%
Receivables	1,279,876	380,048	899,828	236.77%
Other assets	25,744	25,459	285	1.12%
Noncurrent assets	21,366,306	21,352,271	14,035	0.07%
Total assets	37,640,684	38,543,403	(902,719)	-2.34%
Deferred outflows of resources	4,463,523	4,137,656	325,867	7.88%
Liabilities				
Current	3,519,666	3,317,117	202,549	6.11%
Noncurrent	14,807,178	14,655,895	151,283	1.03%
Total liabilities	18,326,844	17,973,012	353,832	1.97%
Deferred inflows of resources	440,763	1,130,769	(690,006)	
Net position				
Net investment in capital assets	10,136,395	9,182,927	953,468	10.38%
Unrestricted	13,200,205	14,394,351	(1,194,146)	-8.30%
Total net position	\$ 23,336,600	\$ 23,577,278	\$ (240,678)	-1.02%

**Southeast Macomb Sanitary District
Management's Discussion and Analysis
Year Ended June 30, 2023**

The District's Changes in Net Position

	2023	2022	Change	% Change
Operating revenue				
Billing for sewage disposal	\$ 27,401,659	\$ 28,030,323	\$ (628,664)	-2.24%
Capital contributions	1,100,000	1,100,000	-	0.00%
Administrative charges	125,000	100,000	25,000	25.00%
Charges to MRIDD	1,657,767	1,683,287	(25,520)	-1.52%
Other revenue	98,226	119,190	(20,964)	-17.59%
Total operating revenue	<u>30,382,652</u>	<u>31,032,800</u>	<u>(650,148)</u>	-2.10%
Operating expenses				
Cost of sewage treatment	25,070,400	24,772,800	297,600	1.20%
General and administrative	386,949	376,188	10,761	2.86%
Employee wages and benefits	1,582,865	1,343,207	239,658	17.84%
Repairs and maintenance	1,654,008	1,664,934	(10,926)	-0.66%
Other expenses	-	1,413,756	(1,413,756)	0.00%
Depreciation and amortization	1,716,332	1,655,511	60,821	3.67%
Total expenses	<u>30,410,554</u>	<u>31,226,396</u>	<u>(815,842)</u>	-2.61%
Operating income (loss)	(27,902)	(193,596)	165,694	-85.59%
Nonoperating revenue (expense)	(212,776)	(517,104)	304,328	-58.85%
Member distributions	-	-	-	0.00%
Change in net position	<u>\$ (240,678)</u>	<u>\$ (710,700)</u>	<u>\$ 470,022</u>	-66.14%

Key elements of the 2023 changes include the following:

- Sewage treatment fee revenue, beginning in FY2023, is allocated between operations and capital. The capital contribution is based on a 10-year capital plan. Overall contributions decreased by \$628,644 primarily due to adoption and implementation of a capital improvement plan that spreads the funding needs across multiple years.
- Cost of sewage treatment expenses increased by \$297,600 primarily due to cost increase from Great Lakes Water Authority.

**Southeast Macomb Sanitary District
Management's Discussion and Analysis
Year Ended June 30, 2023**

Capital Assets

The District's investment in capital assets as of June 30, 2023 amounted to \$10,136,395 (net of accumulated depreciation). This investment in capital assets includes land, equipment, site improvements, the sewage disposal system, and the pump stations. Additional information on the District's capital assets can be found in Note 4.

Debt

The District's long-term debt as of June 30, 2023 amounted to \$14,698,540 which includes compensated absences. Additional information on the District's long-term debt can be found in Note 7.

Economic Factors and Next Year's Budgets and Rates

The District plans to increase rates to the extent necessary to cover increases in internal operation and maintenance costs and the rate increases passed on by the Great Lakes Water Authority (GLWA).

The District assigns its rates on a fixed fee basis that includes operations and maintenance and capital infrastructure replacement components.

The District is upgrading its assets and continues to work with Macomb County and the State of Michigan on expanding storm collection facilities.

Contacting the District Management

This financial report is intended to provide our member municipalities with a general overview of the District's finances and to show the District's accountability for the money it receives from the member municipalities and other sources. If you have questions about this report or need additional information, we welcome you to contact the District's office at Southeast Macomb Sanitary District, 20001 Pleasant Avenue, St. Clair Shores, MI 48080.

Southeast Macomb Sanitary District
Proprietary Fund
Statement of Net Position
June 30, 2023

Assets

Current assets

Cash and cash equivalents	\$ 4,068,288
Investments	10,900,470
Due from other units of government	1,279,876
Prepaid items	<u>25,744</u>
Total current assets	<u>16,274,378</u>

Noncurrent assets

Right to use assets, net of accumulated amortization	5,600,212
Capital assets not being depreciated	674,276
Capital assets, net of accumulated depreciation	<u>15,091,818</u>
Total noncurrent assets	<u>21,366,306</u>

Total assets	<u>37,640,684</u>
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Deferred outflows of resources

Deferred amount relating to acquisition costs	3,380,186
Deferred amount relating to net pension liability	784,288
Deferred amount relating to net OPEB liability	<u>299,049</u>
Total deferred outflows of resources	<u>4,463,523</u>

Southeast Macomb Sanitary District
Proprietary Fund
Statement of Net Position
June 30, 2023

Liabilities

Current liabilities

Accounts payable	\$ 2,385,623
Accrued and other liabilities	102,703
Current portion of noncurrent liabilities	<u>1,031,340</u>

Total current liabilities	<u>3,519,666</u>
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Noncurrent liabilities

Net pension liability	801,975
Net OPEB liability	338,003
Long-term portion of compensated absences	38,443
Long-term debt net of current portion	<u>13,628,757</u>

Total noncurrent liabilities	<u>14,807,178</u>
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Total liabilities	<u>18,326,844</u>
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Deferred inflows of resources

Deferred amount relating to net pension liability	114,362
Deferred amount relating to net OPEB liability	<u>326,401</u>

Total deferred inflows of resources	<u>440,763</u>
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Net position

Net investment in capital assets	10,136,395
Unrestricted	<u>13,200,205</u>

Total net position	<u><u>\$ 23,336,600</u></u>
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Southeast Macomb Sanitary District
Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2023

Operating revenue	
Billings for sewage disposal	\$ 27,401,659
Capital contributions	1,100,000
Administrative charges to South Macomb Disposal Authority	125,000
Charges to Milk River Intercounty Drain Drainage District	1,657,767
Other revenue	<u>98,226</u>
Total operating revenue	<u>30,382,652</u>
Operating expenses	
Cost of sewage treatment	25,070,400
General and administrative costs	386,949
Employee wages and benefits	1,582,865
Repairs and maintenance	1,654,008
Depreciation and amortization	<u>1,716,332</u>
Total operating expenses	<u>30,410,554</u>
Operating loss	<u>(27,902)</u>
Nonoperating revenue (expenses)	
Investment income	94,791
Interest expense	<u>(307,567)</u>
Total nonoperating revenues (expenses)	<u>(212,776)</u>
Change in net position	(240,678)
Net position - beginning of year	<u>23,577,278</u>
Net position - end of year	<u>\$ 23,336,600</u>

See Accompanying Notes to the Financial Statements

Southeast Macomb Sanitary District
Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash flows from operating activities

Receipts from customers	\$ 29,482,824
Payments to suppliers	(28,221,268)
Payments to employees	<u>(195,847)</u>
Net cash provided by operating activities	<u>1,065,709</u>

Cash flows from capital and related financing activities

Purchases/construction of capital assets	(1,716,631)
Principal and interest paid on long-term debt	<u>(1,260,736)</u>
Net cash used by capital and related financing activities	<u>(2,977,367)</u>

Cash flows from investing activities

Purchases of investments	(5,377,228)
Interest received	<u>94,791</u>
Net cash used by investing activities	<u>(5,282,437)</u>

Net decrease in cash and cash equivalents	(7,194,095)
Cash and cash equivalents - beginning of year	<u>11,262,383</u>
Cash and cash equivalents - end of year	<u>\$ 4,068,288</u>

Southeast Macomb Sanitary District
Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2023

**Reconciliation of operating income (loss) to net cash
provided (used) by operating activities**

Operating loss	\$ (27,902)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation and amortization expense	1,716,332
Noncash change in net pension liability (asset)	895,360
Noncash change in net OPEB liability (asset)	488,882
Changes in assets and liabilities	
Due from other units of government	(899,828)
Prepaid items	(285)
Deferred outflows of resources	(583,867)
Accounts payable	133,201
Accrued and other liabilities	31,046
Deferred inflows of resources	(690,006)
Compensated absences	2,776
	<hr/>
Net cash provided by operating activities	<u>\$ 1,065,709</u>

See Accompanying Notes to the Financial Statements

Southeast Macomb Sanitary District
Fiduciary Funds
Statement of Fiduciary Net Position
September 30, 2022

	Pension and Other Postemployment Benefit Trust Funds
Assets	
Cash and cash equivalents	\$ 253,639
Investments	
Exchange traded funds	1,874,324
Mutual funds	3,495,527
Prepaid expenses and other assets	<u>28,118</u>
Total assets	<u>5,651,608</u>
Liabilities	
Accounts payable	<u>6,750</u>
Net position	
Restricted for	
Pensions	3,551,451
Postemployment benefits other than pension	<u>2,093,407</u>
Total net position	<u><u>\$ 5,644,858</u></u>

See Accompanying Notes to the Financial Statements

Southeast Macomb Sanitary District
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2022

	Pension and Other Postemployment Benefit Trust Funds
Additions	
Contributions	\$ <u>145,000</u>
Investment earnings	
Net decrease in fair value of investments	<u>(967,038)</u>
Less investment costs	
Investment activity costs	<u>559</u>
Net investment earnings (losses)	<u>(967,597)</u>
Total additions	<u>(822,597)</u>
Deductions	
Benefits paid to participants or beneficiaries	296,251
Administrative expense	<u>1,201</u>
Total deductions	<u>297,452</u>
Change in net position	(1,120,049)
Net position - beginning of year	<u>6,764,907</u>
Net position - end of year	<u>\$ 5,644,858</u>

See Accompanying Notes to the Financial Statements

Southeast Macomb Sanitary District
Notes to the Financial Statements
June 30, 2023

Note 1 - Summary of Significant Accounting Policies

Reporting entity

Originally established under Public Act 129 of 1943 and then reestablished in 2017 under Public Act 233 of 2017, Southeast Macomb Sanitary District (the "District") is a joint venture of three cities located in southeast Macomb County: Eastpointe, Roseville, and St. Clair Shores. The primary function of the District is to operate a sewage transportation system and a retention treatment basin servicing Eastpointe, Roseville, St. Clair Shores, Grosse Pointe Woods, Harper Woods, and Gross Pointe Shores. This sewage transportation system includes approximately 30 miles of sewer, 350 manholes, and 4 pump stations.

In addition, the Southeast Macomb Sanitary District operates a retention basin and pumping station on behalf of the Milk River Intercounty Drain Drainage District, which came into effect following an acquisition transaction that occurred on September 27, 2018.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America applicable to an enterprise fund of a governmental unit. Accordingly, the accrual basis of accounting is followed by the District. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Measurement focus, basis of accounting, and financial statement presentation

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

are incurred, regardless of when the related cash flows take place. The District internally tracks capital reserves in the proprietary fund and this information is disaggregated other supplementary information.

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

The District also reports pension and other postemployment benefits trust funds, which account for the accumulation of resources for the payment of pension and retiree health care benefits to employees of the District. The accrual basis is also followed for these fiduciary funds of the District. The pension and other postemployment benefits trust funds are recorded as of the plans' year ends of September 30, as opposed to the District's fiscal year end of June 30.

Proprietary funds 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.

This report includes the fund-based statements of the District. 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.

Assets, liabilities and net position

Cash and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a

Southeast Macomb Sanitary District
Notes to the Financial Statements
June 30, 2023

maturity of three months or less when acquired. Investments are stated at fair value.

Prepaid items and funds on deposit – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the fund financial statements, when applicable.

Capital assets – Capital assets are defined by the District 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.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the District values these capital assets at the estimated acquisition value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Sanitary sewer lines and treatment facilities	20 to 50 years
Building improvements	10 to 30 years
Office furnishings	5 to 10 years
Vehicles	5 to 7 years

Deferred outflows of resources – A deferred outflow of resources is a consumption of net assets by the District that is applicable to a future reporting period. The District may report deferred outflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plans expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension or OPEB expense. Changes in assumptions and experience differences relating to the net pension and OPEB liabilities or assets are deferred and amortized over

the expected remaining services lives of the employees and retirees in the plans. The District may report deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce net pension and OPEB liabilities or assets in the following year. The District also reports deferred outflows of resources related to the unamortized costs of the acquisition of Northeast Sewage Disposal System that exceeded the net position acquired.

Compensated absences – It is the District’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Sick and vacation pay is accrued for the estimated amount that the District would pay if an employee were to terminate on July 1. Both of these are reported in the proprietary fund financial statements.

Long-term obligations – In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Pensions – The District offers a defined benefit pension plan to some of its full-time employees. The District records a net pension liability (or asset) for the difference between the total pension liability calculated by the actuary and the pension plan’s fiduciary net position (when fiduciary net position exceeds the total pension liability, an asset is reported). For the purpose of measuring the net pension liability (or asset), 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, except for money market investments and participating interest-earning

Southeast Macomb Sanitary District
Notes to the Financial Statements
June 30, 2023

investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Other Postemployment Benefits (OPEB) – The District offers retiree health care benefits to its union retirees hired before July 1, 2015. The District records a net OPEB liability (or asset) 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 liability (or asset), 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred inflows of resources – A deferred inflow of resources is an acquisition of net assets by the District that is applicable to a future reporting period. The District may report deferred inflows of resources as a result of pension and OPEB earnings. This amount is the result of a difference between what the plans expected to earn from the plan investments and what the plans actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions and experience differences relating to the net pension and net OPEB liabilities (or assets) are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans.

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, deferred outflows, liabilities, deferred inflows 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.

Upcoming accounting and reporting changes

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for the year ending June 30, 2025.

The District is evaluating the impact that the above GASB statements will have on its financial reporting.

Southeast Macomb Sanitary District
Notes to the Financial Statements
June 30, 2023

Note 2 - Deposits and Investments

At year end the District's deposits and investments were reported in the financial statements in the following categories:

	Cash and Cash Equivalents	Investments	Total
Proprietary fund	\$ 4,068,288	\$ 10,900,470	\$ 14,968,758
Fiduciary funds	253,639	5,369,851	5,623,490
Total	<u>\$ 4,321,927</u>	<u>\$ 16,270,321</u>	<u>\$ 20,592,248</u>

The breakdown between deposits and investments is as follows:

	Proprietary Fund	Fiduciary Funds	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 10,716,376	\$ 253,639	\$ 10,970,015
Investments in securities, mutual funds and similar vehicles	4,252,332	5,369,851	9,622,183
Petty cash and cash on hand	50	-	50
	<u>\$ 14,968,758</u>	<u>\$ 5,623,490</u>	<u>\$ 20,592,248</u>

As of year end, the District had the following investments:

Investment	Carrying Value	Maturities	Rating	Rating Organization
U.S. Treasury securities	\$ 4,252,332	< 1 year	AAAm	S&P
Exchange traded funds	1,874,324	N/A	N/A	N/A
Mutual funds	3,495,527	< 1 year	Not Rated	S&P
	<u>\$ 9,622,183</u>			

Interest rate risk – The District does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

Credit risk – State statutes authorize the District to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The District is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States.

Southeast Macomb Sanitary District
Notes to the Financial Statements
June 30, 2023

United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which 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 pension trust fund and retiree health care fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Concentration of credit risk – The District has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of year end, \$3,941,537 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy requires the District to diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 60 percent of the District's investment portfolio will be invested in a single type or with a single institution. The following investment securities were uninsured and unregistered and held in the following manner:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>How Held</u>
U.S. Treasury securities	\$ 4,252,332	By counterparty in the District's name
Exchanged traded funds	1,874,324	By counterparty in the District's name
Mutual funds	3,495,527	By counterparty in the District's name
	<u>\$ 9,622,183</u>	

Note 3 - Fair Value Measurements

The District 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 the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Southeast Macomb Sanitary District
Notes to the Financial Statements
June 30, 2023

The District has the following recurring fair value measurements as of June 30, 2023:

Investment Type	Level 1	Level 2	Level 3	Total
U.S. Treasury securities	\$ -	\$ 4,252,332	\$ -	\$ 4,252,332
Exchange traded funds	1,874,324	-	-	1,874,324
Mutual funds	3,495,527	-	-	3,495,527
	<u>\$ 5,369,851</u>	<u>\$ 4,252,332</u>	<u>\$ -</u>	<u>\$ 9,622,183</u>

Note 4 - Capital Assets

Capital assets activity for the current year is as follows:

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Capital assets not being depreciated					
Land	\$ 79,243	\$ -	\$ -	\$ -	\$ 79,243
Construction-in-progress	186,968	-	1,963,920	1,555,855	595,033
Total capital assets not being depreciated	<u>266,211</u>	<u>-</u>	<u>1,963,920</u>	<u>1,555,855</u>	<u>674,276</u>
Capital assets being depreciated					
Pump station building and improvements	3,887,573	-	897,082	-	4,784,655
Sanitary sewer lines	4,561,470	-	-	-	4,561,470
Sewage disposal systems	13,144,760	-	-	-	13,144,760
Machinery and equipment	403,013	(45,447)	411,484	-	769,050
Vehicles	85,389	45,447	-	-	130,836
Right to use asset - land	6,533,580	-	-	-	6,533,580
Total capital assets being depreciated	<u>28,615,785</u>	<u>-</u>	<u>1,308,566</u>	<u>-</u>	<u>29,924,351</u>
Less accumulated depreciation for					
Pump station building and improvements	2,008,502	36,028	121,736	-	2,166,266
Sanitary sewer lines	2,921,057	-	730,264	-	3,651,321
Sewage disposal systems	2,030,940	(36,028)	78,329	-	2,073,241
Machinery and equipment	252,810	-	46,009	-	298,819
Vehicles	93,996	-	15,310	-	109,306
Right to use asset - land	466,684	-	466,684	-	933,368
Total accumulated depreciation	<u>7,773,989</u>	<u>-</u>	<u>1,458,332</u>	<u>-</u>	<u>9,232,321</u>
Net capital assets being depreciated	<u>20,841,796</u>	<u>-</u>	<u>(149,766)</u>	<u>-</u>	<u>20,692,030</u>
Capital assets, net	<u>\$ 21,108,007</u>	<u>\$ -</u>	<u>\$ 1,814,154</u>	<u>\$ 1,555,855</u>	<u>\$ 21,366,306</u>
Right to use leased assets					
Right to use assets, net of amortization	\$ 6,066,896	\$ -	\$ (466,684)	\$ -	\$ 5,600,212
Capital assets					
Capital assets not being depreciated	266,211	-	1,963,920	1,555,855	674,276
Capital assets, net of depreciation	<u>14,774,900</u>	<u>-</u>	<u>316,918</u>	<u>-</u>	<u>15,091,818</u>
Net capital assets	<u>\$ 21,108,007</u>	<u>\$ -</u>	<u>\$ 1,814,154</u>	<u>\$ 1,555,855</u>	<u>\$ 21,366,306</u>

Construction Commitments

The District has an outstanding construction commitment of \$4,080,075 for engineering, construction and permits with \$3,576,796 remaining to be expensed on the respective commitment.

Southeast Macomb Sanitary District
Notes to the Financial Statements
June 30, 2023

Note 5 - Deferred Acquisition Costs

The District previously acquired the Northeast Sewage Disposal System, which resulted in deferred acquisition costs of \$4,644,406. The remaining deferred acquisition costs are amortized through fiscal year 2037 as follows:

<u>Year ending June 30,</u>	
2024	\$ 258,000
2025	258,000
2026	258,000
2027	258,000
2028	258,000
2029-2033	1,290,000
2034-2037	<u>800,186</u>
	<u>\$ 3,380,186</u>

Note 6 - Lease Liability

The District leases access to the use of land and access to an electrical room with an initial term of 40 years, expiring in 2036. The lease has an automatic renewal clause of 10-year terms unless either party notifies the other in writing of termination. As of June 30, 2023, the value of the lease liability was \$5,930,097. The District made payments totaling \$432,505 during the year ended June 30, 2023. Future payments increase by 4% annually. The lease has an interest rate of 2.05%. The value of the right-to-use asset as of the end of the current fiscal year was \$6,533,580, and had accumulated amortization of \$933,368.

Year Ending June 30,	<u>Business-type Activities</u>	
	<u>Maturity of Lease Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 331,340	\$ 118,465
2025	356,359	111,439
2026	382,622	103,887
2027	410,184	95,786
2028	439,103	87,106
2029-2033	2,681,059	283,062
2034-2035	<u>1,329,430</u>	<u>28,847</u>
	<u>\$ 5,930,097</u>	<u>\$ 828,592</u>

Southeast Macomb Sanitary District
Notes to the Financial Statements
June 30, 2023

Note 7 - Long-Term Debt

Long-term obligation activity is summarized as follows:

	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and notes payable									
Direct borrowings and direct placements									
State Revolving Fund Series 5416-01	\$ 13,435,000	4/1/2035	2%	\$650,000 - \$795,000	\$ 9,315,000	\$ -	\$ 635,000	\$ 8,680,000	\$ 650,000
Leases					6,248,266	-	318,169	5,930,097	331,340
Compensated absences					<u>85,667</u>	<u>2,776</u>	<u>-</u>	<u>88,443</u>	<u>50,000</u>
Total business-type activities					<u>\$ 15,648,933</u>	<u>\$ 2,776</u>	<u>\$ 953,169</u>	<u>\$ 14,698,540</u>	<u>\$ 1,031,340</u>

Southeast Macomb Sanitary District
Notes to the Financial Statements
June 30, 2023

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	<u>Business-type Activities</u>	
	Notes from Direct Borrowings and Direct Placements	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 650,000	\$ 173,600
2025	660,000	160,600
2026	675,000	147,400
2027	690,000	133,900
2028	705,000	120,100
2029-2033	3,725,000	384,000
2034-2035	<u>1,575,000</u>	<u>47,100</u>
	<u>\$ 8,680,000</u>	<u>\$ 1,166,700</u>

Note 8 - Risk Management

The District 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 District has purchased commercial insurance for medical and life insurance claims and participates in the Michigan Municipal League risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries (workers' compensation). Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 9 - Employee Retirement and Benefit Systems

Defined benefit pension plan

Plan description – The Southeast Macomb Sanitary District provides a monthly retirement benefit (with alternative lump-sum payment options) to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the Southeast Macomb Sanitary District Employee's Retirement Plan, a single-employer plan administered by the Southeast Macomb Sanitary District board of trustees. The financial statements of the pension system are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund). As described in Note 1, the pension system has a September 30 year end and is reported in these financial statements as of September 30, 2022. Management of the plan is vested in the pension board, which consists of three members, all of whom are appointed by the mayors of the member communities.

Benefits provided – Southeast Macomb Sanitary District Employee's Retirement Plan provides pension benefits to retirees and their dependents. Retirement benefits are calculated as 2.5 percent of the employee's final five-year average compensation times the employee's years of service. To be eligible, employees must be at least 55 years of age and have at least five years of service; foremen may retire at age 50 with 25 years of service. Membership is restricted to those employees who meet the plan requirements and the terms of their employment agreement with the District.

Benefit terms are generally established and amended by authority of the Southeast Macomb Sanitary District board, generally after negotiations of these terms with the affected unions.

Southeast Macomb Sanitary District
Notes to the Financial Statements
June 30, 2023

Employees covered by benefit terms – At the September 30, 2022 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Active employees	<u>9</u>
	<u>16</u>

Contributions – State law requires public employers to make pension contributions in accordance with an actuarial valuation. The District hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's required contribution is determined after consideration of the required contribution rate of employees. For the year ended June 30, 2023, the District's average contribution rate was 17.9 percent of annual payroll for the various employee groups. The District contributed \$120,000 in fiscal year 2023.

Net pension liability (asset) – The District has chosen to use the September 30 measurement date as its measurement date for the net pension liability (asset). The June 30, 2023 fiscal year end reported net pension liability (asset) was determined using a measure of the total pension liability and the pension net position as of the September 30, 2022 measurement date. The September 30, 2022 measurement date total pension liability was determined by an actuarial valuation performed as of September 30, 2021.

Actuarial assumptions – The total pension liability in the September 30, 2021 actuarial valuation was determined using an inflation assumption of 2.50 percent, assumed salary increases (including inflation) of 3.5 percent, an investment rate of return (net of investment expenses) of 6.75 percent, and the PubG-2010 mortality table with base year 2010 for males and females with MP-2019 mortality improvement scale. The beginning net pension liability was determined using an investment rate of return of 6.75 percent and the Pub-2010 mortality table with generational table MP-2019.

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

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

Asset Class	Target Allocation	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	45.0%	6.1%	1.8%	7.9%
Global fixed income	10.0%	5.0%	1.8%	6.8%
Private investments	5.0%	6.6%	1.8%	8.4%
Investment Grade US Fixed	25.0%	1.6%	1.8%	3.4%
High Yield Fixed Income	10.0%	3.2%	1.8%	5.0%
Gold / Commodities	3.0%	3.6%	1.8%	5.4%
Cash	2.0%	.8%	1.8%	2.6%
	100.0%	4.4%	1.8%	6.2%

Discount rate – The discount rate used to measure the total pension liability is 6.75%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Southeast Macomb Sanitary District
Notes to the Financial Statements
June 30, 2023

Changes in Net Pension Liability (Asset)

Total Pension Liability

Service cost	\$ 117,316
Interest on the total pension liability	278,298
Benefit payments and refunds	<u>(212,920)</u>
Net change in total pension liability	182,694
Total pension liability - beginning	<u>4,170,732</u>
Total pension liability - ending (a)	<u>\$ 4,353,426</u>

Plan Fiduciary Net Position

Employer contributions	\$ 120,000
Pension plan net investment loss	(619,155)
Benefit payments and refunds	(212,920)
Pension plan administrative expense	<u>(591)</u>
Net change in plan fiduciary net position	(712,666)
Plan fiduciary net position - beginning	<u>4,264,117</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,551,451</u>

Net pension liability (asset) (a-b) \$ 801,975

Plan fiduciary net position as a percentage of total pension liability	81.58%
Covered payroll	\$ 599,763
Net pension liability (asset) as a percentage of covered payroll	133.72%

Sensitivity of the net pension liability (asset) to changes in the discount rate – The following presents the net pension liability (asset) of the employer, calculated using the discount rate of 6.75%, as well as what the employer’s net pension liability (asset) would be using a discount rate that is 1% point lower (5.75%) or 1% higher (7.75%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 4,931,736	\$ 4,353,426	\$ 3,875,268
Fiduciary net position	<u>3,551,451</u>	<u>3,551,451</u>	<u>3,551,451</u>
Net pension liability (asset)	<u>\$ 1,380,285</u>	<u>\$ 801,975</u>	<u>\$ 323,817</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2023 the employer recognized pension expense of \$253,624. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total to Amortize
Differences in experience	\$ 206,622	\$ (56,877)	\$ 149,745
Differences in assumptions	107,578	(57,485)	50,093
Net difference between projected and actual earning on plan investments	<u>470,088</u>	-	<u>470,088</u>
Total	<u>\$ 784,288</u>	<u>\$ (114,362)</u>	<u>\$ 669,926</u>

Southeast Macomb Sanitary District
Notes to the Financial Statements
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Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2024	\$ 117,145
2025	166,148
2026	166,500
2027	207,101
2028	4,343
Thereafter	<u>8,689</u>
	<u>\$ 669,926</u>

Deferred compensation 457(b) plan

The Southeast Macomb Sanitary District 457 Plan with Lincoln Financial Group was established on December 1, 2019, for permanent employees who work 30 or more hours per week. Participation is voluntary. For eligible employees the District contributes one dollar for each one dollar contributed by the employee up to a maximum employer contribution of six percent of the employees' gross wages; not including payments in lieu or allowance.

Fiscal year 2023 expense is \$23,170 with a related year end asset of \$310.

Note 10 - Other Postemployment Benefits

Plan description – The District provides OPEB for all employees who meet eligibility requirements. The benefits are provided through the retiree health care plan, a single-employer plan administered by the Southeast Macomb Sanitary District board.

The financial statements of the OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund). As described in Note 1, the OPEB plan has a September 30 year end and is reported in these financial statements as of September 30, 2022.

Management of the plan is vested in the Southeast Macomb Sanitary District board, which consists of three members selected by the participating cities of Eastpointe, Roseville, and St. Clair Shores, Michigan.

Benefits provided – The retiree health care plan provides health care and vision benefits for union retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Employees covered by benefit terms – At the September 30, 2021 valuation date, the plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	9
Active employees	<u>4</u>
	<u>13</u>

Contributions – Michigan Public Act 129 of 1943 grants the authority to establish and amend the contribution requirements of the District and employees to the board. The board establishes contribution rates based on an actuarially determined rate per a funding valuation. For the District's fiscal year ended June 30, 2023, the District voluntarily contributed approximately \$25,000 based on the actuarial valuation at September 30, 2021. Employees are not required to contribute to the plan.

Southeast Macomb Sanitary District
Notes to the Financial Statements
June 30, 2023

Investment policy – The Plans policy in regards to the allocation of invested assets is established and may be amended by the Employees Retirement System Board by a majority vote of its members. It is the policy of the Retirement System Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plans investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the adopted asset allocation policy as of June 30, 2023:

Asset Class	Target Allocation
Domestic equity	45.0%
Fixed income	35.0%
International equity	15.0%
Cash	5.0%

Rate of return – For the plan year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was not available. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Net OPEB liability (asset) – The District has chosen to use the September 30 measurement date as its measurement date for the net OPEB liability (asset). The June 30, 2023 fiscal year end reported net OPEB liability (asset) was determined using a measure of the total OPEB liability and the OPEB net position as of the September 30, 2022 measurement date. The September 30, 2022 measurement date total OPEB liability was determined by an actuarial valuation performed as of September 30, 2021.

Total OPEB liability	\$ 2,431,409
Plan fiduciary net position	<u>(2,093,406)</u>
Net OPEB liability (asset)	<u>\$ 338,003</u>

Plan fiduciary net position as a percentage of the total OPEB liability is 86.10%.

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50%
Salary increases	3.5%, average, including inflation
Investment rate of return	6.75%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.5% for non-Medicare and 6.25% for Medicare, decreasing .25% per year to a rate of 3.5%

Mortality rates were based on the PubG-2010 Amount-Weighted, Healthy Mortality Tables with base year 2010 and projection scale MP-2019.

Southeast Macomb Sanitary District
Notes to the Financial Statements
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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 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. Best-estimate of arithmetic real rates of return for each major class included in the target asset allocation as of June 30, 2023 are summarized below along with the Boards adopted asset allocation policy:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	6.10%
Domestic Fixed Income	1.60%
International equity	5.00%
Cash	0.80%

Discount rate – The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability (Asset)

Total OPEB Liability

Service cost	\$ 33,778
Interest	156,947
Differences between expected and actual experience	(25,895)
Benefit payments	<u>(83,331)</u>
Net change in total OPEB liability	81,499
Total OPEB liability - beginning	<u>2,349,910</u>
Total OPEB liability - ending (a)	<u><u>\$ 2,431,409</u></u>

Plan Fiduciary Net Position

Employer contributions	\$ 25,000
Net investment income	(348,443)
Benefit payments	(83,331)
Other	<u>(609)</u>
Net change in plan fiduciary net position	(407,383)
Plan fiduciary net position - beginning	<u>2,500,789</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,093,406</u></u>

Net OPEB liability (asset) (a-b)	<u><u>\$ 338,003</u></u>
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Plan fiduciary net position as a percentage of total OPEB liability	86.10%
Covered payroll	\$ 306,272
Net OPEB liability (asset) as a percentage of covered payroll	110.36%

Southeast Macomb Sanitary District
Notes to the Financial Statements
June 30, 2023

Sensitivity of the net OPEB liability (asset) to changes in the discount rate – The following presents the net OPEB liability (asset) of the District, as well as what the District’s net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower (5.75%) or 1% higher (7.75%) than the current discount rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	\$ 685,275	\$ 338,003	\$ 56,378

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rates – The following presents the net OPEB liability (asset) of the District, as well as what the District’s net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1% lower (7.25%) or 1% higher (9.25%) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability (asset)	\$ 36,365	\$ 338,003	\$ 712,599

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended June 30, 2023 the employer recognized OPEB expense of \$1,745. The employer reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total to Amortize</u>
Differences in experience	\$ 29,963	\$ (225,016)	\$ (195,053)
Differences in assumptions	-	(101,385)	(101,385)
Net difference between projected and actual earning on plan investments	<u>269,086</u>	<u>-</u>	<u>269,086</u>
Total	<u>\$ 299,049</u>	<u>\$ (326,401)</u>	<u>\$ (27,352)</u>

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

<u>Year ended June 30,</u>	
2024	\$ (68,343)
2025	(104,178)
2026	42,116
2027	<u>103,053</u>
	<u>\$ (27,352)</u>

Defined Contribution Other Postemployment Benefits

Individual retiree health care savings accounts, with the Municipal Employee’s Retirement System (MERS) is established for each member of the International Union of Operating Engineers Local 324 hired after July 1, 2015. Employer contributions equal to four (4%) percent of the employee’s annual earnings fund the account and are immediately vested. The plan was established in 2021 with an effective date of July 1, 2015.

Southeast Macomb Sanitary District
Notes to the Financial Statements
June 30, 2023

Fiscal year 2023 expense is \$6,505 with a related year end liability of \$0.

Note 11 - Participating Municipalities

Southeast Michigan Sanitary District is a joint venture of three cities located in southeast Macomb County, including the cities of Eastpointe, Roseville, and St. Clair Shores, Michigan. The municipalities record an equity interest in the District's net position based on an excess flow apportionment.

The following table summarizes the municipalities' equity interest percentages and interest in the joint venture as of June 30, 2023:

City of Eastpointe, Michigan (34.00%)	\$ 7,934,444
City of Roseville, Michigan (28.15%)	6,569,253
City of St. Clair Shores, Michigan (37.85%)	<u>8,832,903</u>
	<u>\$ 23,336,600</u>

Note 12 - Net Investment in Capital Assets

The composition of net investment in capital assets as of June 30, 2023 was as follows:

Capital assets not being depreciated	\$ 674,276
Capital assets - net of accumulated depreciation	15,091,818
Right to use lease assets - net of accumulated amortization	5,600,212
Deferred outflows or resources (capital related)	3,380,186
Less:	
General obligation bonds	(8,680,000)
Lease liability	<u>(5,930,097)</u>
Net investments and capital assets	<u>\$ 10,136,395</u>

Southeast Macomb Sanitary District
Required Supplementary Information
Employee Retirement System
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
June 30, 2023

Fiscal year ended September 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability										
Service cost	\$ 117,316	\$ 120,734	\$ 116,650	\$ 29,115	\$ 59,801	\$ 120,620	\$ 94,622	\$ 111,430	\$ 107,182	\$ 113,927
Interest on the total pension liability	278,298	264,182	238,315	58,654	221,376	196,387	190,349	170,871	168,234	164,056
Experience differences	-	39,090	222,539	(86,236)	153,432	(32,187)	(77,961)	48,972	(16,833)	(180,327)
Changes in assumptions	-	-	-	156,296	71,470	(370,128)	-	(3,919)	-	-
Benefit payments and refunds	(212,920)	(213,414)	(179,250)	(39,490)	(130,352)	(119,371)	(119,371)	(113,290)	(83,114)	(73,203)
Net change in total pension liability	182,694	210,592	398,254	118,339	375,727	(204,679)	87,639	214,064	175,469	24,453
Total pension liability - beginning	4,170,732	3,960,140	3,561,886	3,443,547	3,067,820	3,272,499	3,184,860	2,970,796	2,795,327	2,770,874
Total pension liability - ending (a)	<u>\$ 4,353,426</u>	<u>\$ 4,170,732</u>	<u>\$ 3,960,140</u>	<u>\$ 3,561,886</u>	<u>\$ 3,443,547</u>	<u>\$ 3,067,820</u>	<u>\$ 3,272,499</u>	<u>\$ 3,184,860</u>	<u>\$ 2,970,796</u>	<u>\$ 2,795,327</u>
Plan Fiduciary Net Position										
Employer contributions	\$ 120,000	\$ 189,000	\$ 226,812	\$ 42,378	\$ 72,017	\$ 119,371	\$ 141,546	\$ 137,034	\$ 135,585	\$ 290,123
Pension plan net investment income (loss)	(619,155)	696,255	201,005	11,268	116,329	192,427	300,078	(21,758)	(14,531)	333,211
Benefit payments and refunds	(212,920)	(213,414)	(179,250)	(39,490)	(130,352)	(119,371)	(119,371)	(113,290)	(83,114)	(73,435)
Pension plan administrative expense	(591)	(814)	(6,543)	(324)	-	-	-	-	-	-
Net change in plan fiduciary net position	(712,666)	671,027	242,024	13,832	57,994	192,427	322,253	1,986	37,940	549,899
Plan fiduciary net position - beginning	4,264,117	3,593,090	3,351,066	3,337,234	3,279,240	3,086,813	2,764,560	2,762,574	2,724,634	2,174,735
Plan fiduciary net position - ending (b)	<u>\$ 3,551,451</u>	<u>\$ 4,264,117</u>	<u>\$ 3,593,090</u>	<u>\$ 3,351,066</u>	<u>\$ 3,337,234</u>	<u>\$ 3,279,240</u>	<u>\$ 3,086,813</u>	<u>\$ 2,764,560</u>	<u>\$ 2,762,574</u>	<u>\$ 2,724,634</u>
Net pension liability (asset)(a-b)	<u>\$ 801,975</u>	<u>\$ (93,385)</u>	<u>\$ 367,050</u>	<u>\$ 210,820</u>	<u>\$ 106,313</u>	<u>\$ (211,420)</u>	<u>\$ 185,686</u>	<u>\$ 420,300</u>	<u>\$ 208,222</u>	<u>\$ 70,693</u>
Plan fiduciary net position as a percentage of total pension liability	81.58%	102.24%	90.73%	94.08%	96.91%	106.89%	94.33%	86.80%	92.99%	97.47%
Covered payroll	\$ 599,763	\$ 599,763	\$ 589,999	\$ 554,904	\$ 652,253	\$ 454,763	\$ 426,520	\$ 429,970	\$ 438,648	\$ 415,269
Net pension liability (asset) as a percentage of covered payroll	133.72%	(15.57%)	62.21%	37.99%	16.30%	(46.49%)	43.54%	97.75%	47.47%	17.02%

Note: GASB Statement No. 67 was implemented for the fiscal year ended June 30, 2014 and does not require retroactive implementation.
Data will be added as information is available until 10 years of such data is available. Prior to 2020, amounts were reported based on the previous plan year of June 30.

**Southeast Macomb Sanitary District
Required Supplementary Information
Employee Retirement System
Schedule of Employer Contributions
June 30, 2023**

Fiscal Year Ended	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
6/30/2014	\$ 190,123	\$ 290,123	\$ (100,000)	\$ 415,269	69.86%
6/30/2015	135,585	135,585	-	438,648	30.91%
6/30/2016	137,034	137,034	-	429,970	31.87%
6/30/2017	141,546	141,546	-	426,520	33.19%
6/30/2018	119,371	119,371	-	454,763	26.25%
6/30/2019	72,017	72,017	-	652,253	11.04%
6/30/2020	133,190	133,190	-	554,904	24.00%
6/30/2021	135,139	160,000	(24,861)	589,999	27.12%
6/30/2022	139,869	165,000	(25,131)	599,763	27.51%
6/30/2023	116,888	120,000	(3,112)	599,763	20.01%

Notes: The valuation date was September 30. Prior to the fiscal year beginning July 1, 2020, actuarially determined contribution amounts are calculated as of June 30 each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry-age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period	17 years
Asset valuation method	Market value
Inflation	3.5 percent (with price inflation of 2.50%)
Salary increases	3.5% (including inflation)
Investment rate of return	6.75%
Retirement age	Participants assumed to retire upon eligibility for retirement
Mortality	Fully generational PubG-2010 Amount-Weighted General Mortality Tables with projection scale MP-2019

**Southeast Macomb Sanitary District
Required Supplementary Information
Employee Retirement System
Schedule of Investment Returns**

Fiscal Year Ended September 30,	Annual Return % *
2013	17.15%
2014	0.55%
2015	0.16%
2016	10.61%
2017	6.40%
2018	2.78%
2019	0.52%
2020	7.18%
2021	Unknown **
2022	-17.45%

* Annual money-weighted rate of return, net of investment expenses

** There was a change in investment manager during 2021. As a result, we are unable to determine annual money-weighted rate of return, net of investment expenses.

GASB Statement No. 67 was implemented for the fiscal year ended June 30, 2014 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

Southeast Macomb Sanitary District
Required Supplementary Information
Other Postemployment Benefits
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
June 30, 2023

Fiscal year ended September 30,	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 33,778	\$ 59,921	\$ 35,947	\$ 10,691	\$ 79,983	\$ 236,356
Interest	156,947	188,197	170,972	40,863	190,149	249,163
Differences between expected and actual experience	(25,895)	(411,189)	119,849	13,270	(489,486)	-
Changes in assumptions	-	(202,769)	-	114,800	101,116	(163,404)
Benefit payments	(83,331)	(84,799)	(82,330)	(27,186)	(85,754)	(87,480)
Net change in total OPEB liability	81,499	(450,639)	244,438	152,438	(203,992)	234,635
Total OPEB liability - beginning	2,349,910	2,800,549	2,556,111	2,403,673	2,607,665	4,078,276
Total OPEB liability - ending (a)	<u>\$ 2,431,409</u>	<u>\$ 2,349,910</u>	<u>\$ 2,800,549</u>	<u>\$ 2,556,111</u>	<u>\$ 2,403,673</u>	<u>\$ 4,312,911</u>
Plan Fiduciary Net Position						
Employer contributions	\$ 25,000	\$ 153,000	\$ 129,126	\$ 75,000	\$ 535,754	\$ 534,109
Net investment income	(348,443)	411,061	92,636	2,315	46,164	50,228
Benefit payments and refunds	(83,331)	(84,799)	(82,330)	(27,186)	(85,754)	(87,480)
Other	(609)	-	-	-	-	-
Net change in plan fiduciary net position	(407,383)	479,262	139,432	50,129	496,164	496,857
Plan fiduciary net position - beginning	2,500,789	2,021,527	1,882,095	1,831,966	1,335,802	838,945
Plan fiduciary net position - ending (b)	<u>\$ 2,093,406</u>	<u>\$ 2,500,789</u>	<u>\$ 2,021,527</u>	<u>\$ 1,882,095</u>	<u>\$ 1,831,966</u>	<u>\$ 1,335,802</u>
Net OPEB liability (asset) (a-b)	<u>\$ 338,003</u>	<u>\$ (150,879)</u>	<u>\$ 779,022</u>	<u>\$ 674,016</u>	<u>\$ 571,707</u>	<u>\$ 2,977,109</u>
Plan fiduciary net position as a percentage of total OPEB liability	86.10%	106.42%	72.18%	73.63%	76.22%	30.97%
Covered payroll	\$ 306,272	\$ 306,272	\$ 354,928	\$ 288,109	\$ 606,428	\$ 408,874
Net OPEB liability (asset) as a percentage of covered payroll	110.36%	(49.26%)	219.49%	233.94%	94.27%	728.12%

Note: GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and GASB Statement No. 75 was implemented for the fiscal year ended June 30, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

Prior to fiscal year 2020, data was reported on the June 30 plan year end.

Southeast Macomb Sanitary District
Required Supplementary Information
Other Postemployment Benefits
Schedule of Employer Contributions
June 30, 2023

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 316,644	\$ 316,644	\$ -	\$ 415,269	76.25%
2015	91,482	91,482	-	438,648	20.86%
2016	99,765	99,765	-	429,970	23.20%
2017	120,261	120,261	-	426,520	28.20%
2018	357,708	534,109	(176,401)	408,874	130.63%
2019	535,754	535,754	-	606,428	88.35%
2020	112,126	112,126	-	554,904	20.21%
2021	91,973	125,000	(33,027)	354,928	35.22%
2022	89,155	120,000	(30,845)	306,272	39.18%
2023	21,996	25,000	(3,004)	306,272	8.16%

Notes to Schedule of Contributions

Valuation date:

September 30, 2021

Notes:

The actuarially determined contribution amounts are calculated as of September 30 every other year, which is 9 and 21 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage-of-payroll, closed
Remaining amortization period	26 years as of September 30, 2021
Asset valuation method	Market value
Inflation	2.50%
Salary increases	3.50%
Investment rate of return	6.75%
Retirement age	Participants assumed to retire upon eligibility for retirement
Mortality	Fully generational PubG-2010 Amount-Weighted, Healthy Mortality Tables with base year 2010 and projection scale MP-2019
Healthcare cost trend rates	7.5% initial, decreasing 0.25% per year to an ultimate rate of 3.5% for non-Medicare benefits and 6.25% decreasing 0.25% per year to 3.50% for Medicare.

**Southeast Macomb Sanitary District
 Required Supplementary Information
 Other Postemployment Benefits
 Schedule of Investment Returns**

Fiscal Year Ended September 30,	Annual Return % *
2016	9.77%
2017	5.82%
2018	3.60%
2019	0.30%
2020	5.95%
2021	Unknown **
2022	-17.42%

* Annual money-weighted rate of return, net of investment expenses

** There was a change in investment manager during 2021. As a result, we are unable to determine annual money-weighted rate of return, net of investment expenses.

GASB Statement No. 74 was implemented for the fiscal year ended June 30, 2017 and does not require retroactive implementation.

Data will be added as information is available until 10 years of such data is available.

Southeast Macomb Sanitary District
Other Supplementary Information
Proprietary Fund
Combining Statement of Net Position
June 30, 2023

	<u>Sewer Operating</u>	<u>Sewer Capital</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 320,828	\$ 3,747,460	\$ 4,068,288
Investments	10,900,470	-	10,900,470
Due from other units of government	1,279,876	-	1,279,876
Due from other funds	-	1,200,000	1,200,000
Prepaid items	25,744	-	25,744
	<u>12,526,918</u>	<u>4,947,460</u>	<u>17,474,378</u>
Total current assets			
Noncurrent assets			
Right to use assets, net of amortization	5,600,212	-	5,600,212
Capital assets, net of accumulated depreciation	15,091,818	-	15,091,818
Capital assets not being depreciated	674,276	-	674,276
	<u>21,366,306</u>	<u>-</u>	<u>21,366,306</u>
Total noncurrent assets			
	<u>33,893,224</u>	<u>4,947,460</u>	<u>38,840,684</u>
Total assets			
Deferred outflows of resources			
Deferred amount relating to acquisition costs	3,380,186	-	3,380,186
Deferred amount relating to net pension liability	784,288	-	784,288
Deferred amount relating to net OPEB liability	299,049	-	299,049
	<u>4,463,523</u>	<u>-</u>	<u>4,463,523</u>
Total deferred outflows of resources			

Southeast Macomb Sanitary District
Other Supplementary Information
Proprietary Fund
Combining Statement of Net Position
June 30, 2023

	<u>Sewer Operating</u>	<u>Sewer Capital</u>	<u>Total</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 2,385,623	\$ -	\$ 2,385,623
Accrued and other liabilities	102,703	-	102,703
Due to other funds	1,200,000	-	1,200,000
Current portion of noncurrent liabilities	<u>1,031,340</u>	<u>-</u>	<u>1,031,340</u>
Total current liabilities	<u>4,719,666</u>	<u>-</u>	<u>4,719,666</u>
Noncurrent liabilities			
Net pension liability	801,975	-	801,975
Net OPEB liability	338,003	-	338,003
Long-term portion of compensated absences	38,443	-	38,443
Long-term debt net of current portion	<u>13,628,757</u>	<u>-</u>	<u>13,628,757</u>
Total noncurrent liabilities	<u>14,807,178</u>	<u>-</u>	<u>14,807,178</u>
Total liabilities	<u>19,526,844</u>	<u>-</u>	<u>19,526,844</u>
Deferred inflows of resources			
Deferred amount relating to net pension liability	114,362	-	114,362
Deferred amount relating to net OPEB liability	<u>326,401</u>	<u>-</u>	<u>326,401</u>
Total deferred inflows of resources	<u>440,763</u>	<u>-</u>	<u>440,763</u>
Net Position			
Net investment in capital assets	10,136,395	-	10,136,395
Unrestricted	<u>8,252,745</u>	<u>4,947,460</u>	<u>13,200,205</u>
Total net position	<u>\$ 18,389,140</u>	<u>\$ 4,947,460</u>	<u>\$ 23,336,600</u>

Southeast Macomb Sanitary District
Other Supplementary Information
Proprietary Fund

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2023

	<u>Sewer Operating</u>	<u>Sewer Capital</u>	<u>Total</u>
Operating revenue			
Billings for sewage disposal	\$ 27,401,659	\$ -	\$ 27,401,659
Capital contributions	-	1,100,000	1,100,000
Administrative charges to South Macomb Disposal Authority	125,000	-	125,000
Charges to Milk River Intercounty Drain Drainage District	1,657,767	-	1,657,767
Other revenue	<u>98,226</u>	<u>-</u>	<u>98,226</u>
 Total operating revenue	 <u>29,282,652</u>	 <u>1,100,000</u>	 <u>30,382,652</u>
Operating expenses			
Cost of sewage treatment	25,070,400	-	25,070,400
General and administrative costs	386,949	-	386,949
Employee wages and benefits	1,582,865	-	1,582,865
Repairs and maintenance	1,654,008	-	1,654,008
Depreciation and amortization	<u>1,716,332</u>	<u>-</u>	<u>1,716,332</u>
 Total operating expenses	 <u>30,410,554</u>	 <u>-</u>	 <u>30,410,554</u>
 Operating income (loss)	 <u>(1,127,902)</u>	 <u>1,100,000</u>	 <u>(27,902)</u>

Southeast Macomb Sanitary District
Other Supplementary Information
Proprietary Fund

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2023

	<u>Sewer Operating</u>	<u>Sewer Capital</u>	<u>Total</u>
Nonoperating revenue (expenses)			
Investment income (loss)	\$ 94,791	\$ -	\$ 94,791
Interest expense	<u>(307,567)</u>	<u>-</u>	<u>(307,567)</u>
Total nonoperating revenues (expenses)	<u>(212,776)</u>	<u>-</u>	<u>(212,776)</u>
Income before transfers	(1,340,678)	1,100,000	(240,678)
Transfers in	1,308,565	600,000	1,908,565
Transfers out	<u>(600,000)</u>	<u>(1,308,565)</u>	<u>(1,908,565)</u>
Change in net position	(632,113)	391,435	(240,678)
Net position - beginning of year	<u>19,021,253</u>	<u>4,556,025</u>	<u>23,577,278</u>
Net position - end of year	<u>\$ 18,389,140</u>	<u>\$ 4,947,460</u>	<u>\$ 23,336,600</u>

Southeast Macomb Sanitary District
Other Supplementary Information
Proprietary Fund
Combining Statement of Cash Flows
For the Year Ended June 30, 2023

	<u>Sewer Operating</u>	<u>Sewer Capital</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 28,382,824	\$ 1,100,000	\$ 29,482,824
Receipts from interfund users	-	(1,200,000)	(1,200,000)
Payments to other funds	1,200,000	-	1,200,000
Payments to suppliers	(28,221,268)	-	(28,221,268)
Payments to employees	(195,847)	-	(195,847)
	<u>1,165,709</u>	<u>(100,000)</u>	<u>1,065,709</u>
Net cash provided (used) by operating activities			
Cash flows from noncapital financing activities			
Transfer from other funds	1,308,565	600,000	1,908,565
Transfers to other funds	(600,000)	(1,308,565)	(1,908,565)
	<u>708,565</u>	<u>(708,565)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities			
Cash flows from capital and related financing activities			
Purchases/construction of capital assets	(1,716,631)	-	(1,716,631)
Principal and interest paid on long-term debt	(1,260,736)	-	(1,260,736)
	<u>(2,977,367)</u>	<u>-</u>	<u>(2,977,367)</u>
Net cash used by capital and related financing activities			
Cash flows from investing activities			
Purchases of investments	(5,377,228)	-	(5,377,228)
Interest received	94,791	-	94,791
	<u>(5,282,437)</u>	<u>-</u>	<u>(5,282,437)</u>
Net cash used by investing activities			
Net increase (decrease) in cash and cash equivalents	(6,385,530)	(808,565)	(7,194,095)
Cash and cash equivalents - beginning of year	<u>6,706,358</u>	<u>4,556,025</u>	<u>11,262,383</u>
Cash and cash equivalents - end of year	<u>\$ 320,828</u>	<u>\$ 3,747,460</u>	<u>\$ 4,068,288</u>

Southeast Macomb Sanitary District
Other Supplementary Information
Proprietary Fund
Combining Statement of Cash Flows
For the Year Ended June 30, 2023

	<u>Sewer Operating</u>	<u>Sewer Capital</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (1,127,902)	\$ 1,100,000	\$ (27,902)
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	1,716,332	-	1,716,332
Noncash change in net pension liability (asset)	895,360	-	895,360
Noncash change in net OPEB liability (asset)	488,882	-	488,882
Changes in assets and liabilities			
Due from other units of government	(899,828)	-	(899,828)
Due from other funds	-	(1,200,000)	(1,200,000)
Prepaid items	(285)	-	(285)
Deferred outflows of resources	(583,867)	-	(583,867)
Accounts payable	133,201	-	133,201
Accrued and other liabilities	31,046	-	31,046
Due to other funds	1,200,000	-	1,200,000
Deferred inflows of resources	(690,006)	-	(690,006)
Compensated absences	2,776	-	2,776
	<u>1,165,709</u>	<u>(100,000)</u>	<u>1,065,709</u>
Net cash provided (used) by operating activities	\$ 1,165,709	\$ (100,000)	\$ 1,065,709

Southeast Macomb Sanitary District
Other Supplementary Information
Fiduciary Funds
Combining Statement of Fiduciary Net Position
September 30, 2022

	Pension Trust Fund	OPEB Trust Fund	Total Pension and Other Postemployment Benefits Trust Funds
Assets			
Cash and cash equivalents	\$ 106,700	\$ 146,939	\$ 253,639
Investments			
Exchange traded funds	1,197,220	677,104	1,874,324
Mutual funds	2,229,788	1,265,739	3,495,527
Prepaid expenses and other assets	17,743	10,375	28,118
 Total assets	 <u>3,551,451</u>	 <u>2,100,157</u>	 <u>5,651,608</u>
Liabilities			
Accounts payable	-	6,750	6,750
Net position			
Restricted for			
Pensions	3,551,451	-	3,551,451
Postemployment benefits other than pension	-	2,093,407	2,093,407
 Total net position	 <u>\$ 3,551,451</u>	 <u>\$ 2,093,407</u>	 <u>\$ 5,644,858</u>

Southeast Macomb Sanitary District
Other Supplementary Information
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2022

	Pension Trust Fund	OPEB Trust Fund	Total Pension and Other Postemployment Benefits Trust Funds
Additions			
Contributions	\$ 120,000	\$ 25,000	\$ 145,000
Investment earnings			
Net decrease in fair value of investments	(618,595)	(348,443)	(967,038)
Less investment costs			
Investment activity costs	559	-	559
Net investment earnings (losses)	(619,154)	(348,443)	(967,597)
Total additions	(499,154)	(323,443)	(822,597)
Deductions			
Benefits paid to participants or beneficiaries	212,920	83,331	296,251
Administrative expense	593	608	1,201
Total deductions	213,513	83,939	297,452
Change in net position	(712,667)	(407,382)	(1,120,049)
Net position - beginning of year	4,264,118	2,500,789	6,764,907
Net position - end of year	\$ 3,551,451	\$ 2,093,407	\$ 5,644,858