

October 12, 2016

To the Members of the Audit Committee
and Board of Trustees
Southeastern Oakland County
Resource Recovery Authority

We have audited the financial statements of Southeastern Oakland County Resource Recovery Authority (the "Authority") as of and for the year ended June 30, 2016 and have issued our report thereon dated October 12, 2016. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 3, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated August 10, 2016.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the year except for the implementation of GASB Statement No. 72.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimate of the landfill postclosure liability is based on a cost study performed by a consulting firm as well as management's knowledge of current monitoring contracts and costs. We evaluated the key factors and assumptions used to develop the landfill postclosure liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net other postemployment benefit obligation is based on their calculation of the annual required contribution. The calculation is based on significant estimates, including the anticipated rate of return on investments, estimated future healthcare costs, and employee eligibility rates. We reviewed the assumptions and believe them to be reasonable.

Management's estimate of the net pension liability, including the allocation of the salaried employees' portion between SOCRRA and SOCWA is also considered to be a significant estimate. The calculation of the net pension liability includes assumptions related to the anticipated rate of return on investments and the period of time over which participants will collect benefits. The allocation between SOCRRA and SOCWA is based on actual payroll figures. We reviewed the assumptions and believe them to be reasonable.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement with management each year prior to our retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 12, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

This information is intended solely for the use of the audit committee, the board of trustees, and management of Southeastern Oakland County Resource Recovery Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



William E. Brickey



Keith Szymanski

Southeastern Oakland County Resource Recovery Authority

**Financial Report
with Supplemental Information
June 30, 2016**

Southeastern Oakland County Resource Recovery Authority

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Statement of Net Position	8
Statement of Revenue, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11-35
Required Supplemental Information	36
OPEB System Schedule - Union	37
OPEB System Schedule - Nonunion	38
Schedule of Changes in the Authority Net Pension Liability and Related Ratios - Union	39
Schedule of Authority Contributions - Union	40
Schedule of the Authority's Proportionate Share of the Net Pension Liability - Salaried	41
Schedule of Authority Contributions - Salaried	42
Other Supplemental Information	43
Schedule of Budget Analysis	44
Schedule of Budget Operating Expense Analysis	45-46
Schedule of Customer Accounts Receivable and Analysis of Charges	47
Schedule of Working Capital Analysis	48

Independent Auditor's Report

To the Board of Trustees
Southeastern Oakland County
Resource Recovery Authority

Report on the Financial Statements

We have audited the accompanying basic financial statements of Southeastern Oakland County Resource Recovery Authority (the "Authority") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Southeastern Oakland County Resource Recovery Authority as of June 30, 2016 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Southeastern Oakland County
Resource Recovery Authority

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Southeastern Oakland County Resource Recovery Authority's basic financial statements. The accompanying 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.

The accompanying other supplemental information, as identified in the table of contents, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying other supplemental 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.

Plante & Moran, PLLC

October 12, 2016

Southeastern Oakland County Resource Recovery Authority

Management's Discussion and Analysis

As management of Southeastern Oakland County Resource Recovery Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 20, 2016. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The Authority's net position decreased in the amount of \$92,083 for the year ended June 30, 2016.
- The liability for landfill closure and postclosure costs decreased by \$68,901.
- The Authority's working capital at year end was \$893,337, which represents approximately 4.5 percent of the Authority's annual expenditures before depreciation. This was a decrease from working capital at the end of the previous fiscal year, which was \$1,104,719.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's basic financial statements are comprised of two components: (1) financial statements and (2) notes to the financial statements. This report also contains 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, and liabilities, 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., postclosure landfill costs).

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 a full range of solid waste services to member communities.

Southeastern Oakland County Resource Recovery Authority

Management's Discussion and Analysis (Continued)

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 the 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 \$3,463,452 at the close of the most recent fiscal year.

The largest portion of the Authority's net position is invested in capital assets (e.g., land, buildings, vehicles, and equipment). The Authority uses these capital assets to provide services to its member communities; consequently, these assets are not available for future spending. Unrestricted net position is (\$2,211,259) at year end. The driver of the negative unrestricted net position is the net pension liability of \$3,146,958.

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

	June 30	
	2016	2015
Assets		
Other assets	\$ 4,659,461	\$ 4,951,151
Capital assets - Net	<u>5,979,053</u>	<u>6,093,927</u>
Total assets	10,638,514	11,045,078
Deferred Outflows of Resources	874,394	161,244
Liabilities		
Current liabilities	3,242,349	3,354,881
Noncurrent liabilities	<u>4,645,353</u>	<u>4,295,906</u>
Total liabilities	<u>7,887,702</u>	<u>7,650,787</u>
Deferred Inflows of Resources	161,754	-
Net Position		
Net investment in capital assets	5,674,711	5,601,797
Unrestricted	<u>(2,211,259)</u>	<u>(2,046,262)</u>
Total net position	<u>\$ 3,463,452</u>	<u>\$ 3,555,535</u>

Southeastern Oakland County Resource Recovery Authority

Management's Discussion and Analysis (Continued)

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

	2016	2015
Revenue		
Municipal solid waste	\$ 18,940,865	\$ 21,385,257
Compost material	137,486	126,043
Recyclable materials	1,100,048	1,248,283
Interest income	24,610	23,483
Other income	319,187	223,341
Gain/loss on sale of assets	(30,794)	79,248
Total revenue	20,491,402	23,085,655
Expenses		
Madison Heights transfer station	119,266	410,085
Household hazardous waste	446,944	329,833
Troy transfer station operation	3,898,437	4,511,156
Material recovery facility	1,387,333	1,390,167
Compost operation	496,839	901,820
Administrative and general	1,559,233	1,411,856
Collection contract operations	12,186,779	14,160,780
Interest expense	14,290	19,799
Depreciation	474,364	428,798
Total expenses	20,583,485	23,564,294
Change in Net Position	(92,083)	(478,639)
Net Position - Beginning of year	3,555,535	4,034,174
Net Position - End of year	\$ 3,463,452	\$ 3,555,535

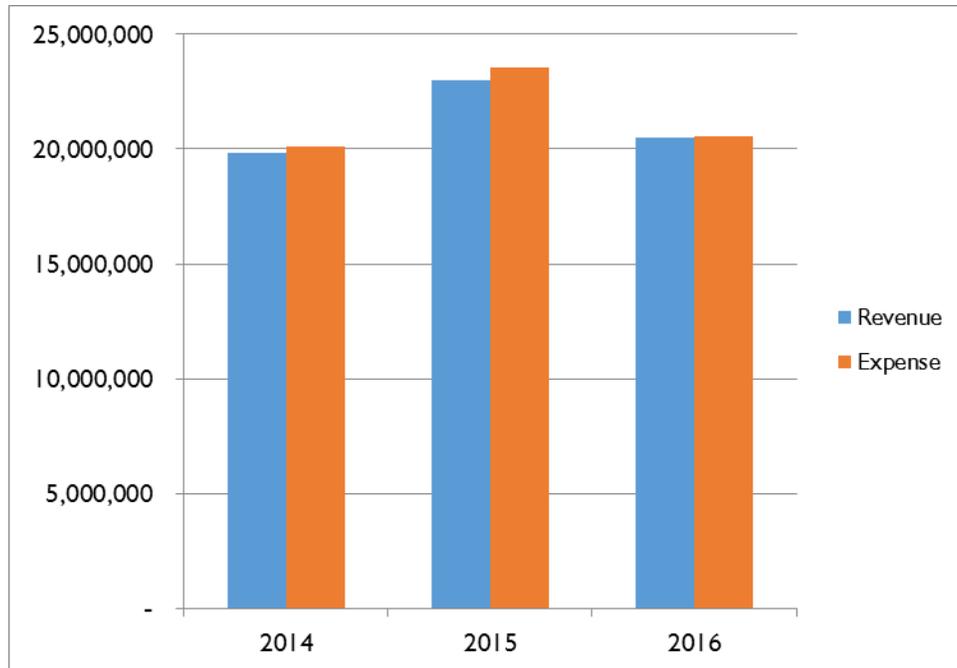
In August of 2014, extensive flooding in the SOCRRA communities caused a very large increase in trash tonnage delivered to SOCRRA during fiscal year 2015. As a result, SOCRRA's expenses, revenue, and trash tonnage for 2015-2016 are much lower than they were for 2014-2015.

Southeastern Oakland County Resource Recovery Authority

Management's Discussion and Analysis (Continued)

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

Operating Revenue and Expenses



Capital Asset and Debt Administration

Capital Assets - The Authority's investment in capital assets for its activities as of June 30, 2016 amounted to \$5,979,053 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, rental properties, buildings, equipment, and organizational costs. In the current fiscal year, the Authority's total investment in capital assets decreased by \$114,874, or 1.9 percent.

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

- Major renovations to one of our rental houses in Rochester Hills for \$149,000, most of which was covered by insurance
- The replacement of a large amount of concrete paving at the Troy Transfer Stations that was damaged by the flood debris in August of 2014 for \$121,000
- The initial expenses for the upgrade of the MRF to single stream operation for \$75,000
- The parts for relining the MRF baler for \$33,000
- Miscellaneous improvements at Troy transfer station for \$34,000
- Miscellaneous improvements at the Rochester Hills rental properties for \$22,000

Southeastern Oakland County Resource Recovery Authority

Management's Discussion and Analysis (Continued)

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

Long-term Debt - During the current fiscal year, the Authority made scheduled principal payments and entered into no new debt agreements. The outstanding principal balance of all equipment financing as of June 30, 2016 is \$304,342. Additional information on the Authority's long-term debt can be found in Note 5 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 2016-2017 fiscal year:

- Wages were increased by 1.5 percent for union and by 2 percent for salaried employees.
- Health insurance costs were increased by 5 percent.
- The number of salaried employees remained unchanged and the number of union employees decreased by one from the 2015-2016 budget.
- Recycling and refuse tonnage contributed by member communities remained unchanged from the actual tonnage for the 12 months ending January 31, 2016. 2014-2015 tonnage data was not used to the increased tonnage from the August 2014 flood.
- Costs for the collection contracts and the disposal contract were increased by the appropriate contractual fuel and CPI escalators.
- A cash flow surcharge was continued to help increase the Authority's level of working capital.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the general manager, 3910 W. Webster, Royal Oak, Michigan 48073.

Southeastern Oakland County Resource Recovery Authority

Statement of Net Position June 30, 2016

Assets

Current assets:

Cash and cash equivalents (Note 2)	\$ 2,157,795
Accounts receivable	1,808,399
Other current assets	<u>169,492</u>
Total current assets	4,135,686

Noncurrent assets:

Restricted cash (Notes 2 and 4)	514,792
Capital assets (Note 3):	
Nondepreciable	1,647,501
Depreciable - Net	4,331,552
Net postemployment healthcare asset (Note 10)	<u>8,983</u>
Total noncurrent assets	<u>6,502,828</u>
Total assets	10,638,514

Deferred Outflows of Resources

Deferred pension outflows (Notes 11 and 12)	874,394
---------------------------------------------	---------

Liabilities

Current liabilities:

Accounts payable	2,503,461
Deposits	13,625
Accrued liabilities and other:	
Accrued salaries and wages	37,161
Accrued interest payable	1,155
Due to related party (Note 7)	251,788
Other current liabilities	58,983
Accrued compensated absences (Note 5)	58,385
Landfill postclosure care costs (Note 9)	121,430
Current portion of long-term debt (Note 5)	<u>194,158</u>
Total current liabilities	3,240,146

Noncurrent liabilities:

Accrued compensated absences (Note 5)	77,804
Landfill postclosure care costs (Note 9)	1,310,407
Net pension liability (Notes 11 and 12)	3,146,958
Long-term debt (Note 5)	<u>110,184</u>
Total noncurrent liabilities	<u>4,645,353</u>

Total liabilities	7,885,499
-------------------	-----------

Deferred Inflows of Resources

Deferred pension inflows (Notes 11 and 12)	<u>161,754</u>
--------------------------------------------	----------------

Equity - Net position

Net investment in capital assets	5,674,711
Unrestricted	<u>(2,209,056)</u>
Total net position	<u><u>\$ 3,465,655</u></u>

Southeastern Oakland County Resource Recovery Authority

Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

Operating Revenue

Charges for service:	
Municipal solid waste	\$ 18,940,865
Compost material	137,486
Recyclable materials	1,100,048
Rental income	96,211
Miscellaneous	222,976
	<hr/>
Total operating revenue	20,497,586

Operating Expenses

Madison Heights transfer station	119,266
Household hazardous waste	446,944
Troy transfer station operation	3,898,437
Material recovery facility	1,387,333
Compost operation	496,839
Administrative and general	1,559,233
Collection contract expenses	12,186,779
Depreciation	474,364
	<hr/>
Total operating expenses	20,569,195

Operating Loss (71,609)

Nonoperating (Expense) Revenue

Interest expense	(12,087)
Investment income	24,610
Loss on sale of assets	(30,794)
	<hr/>
Total nonoperating expense	(18,271)

Change in Net Position (89,880)

Net Position - Beginning of year

 3,555,535

Net Position - End of year

 \$ 3,465,655

Southeastern Oakland County Resource Recovery Authority

Statement of Cash Flows Year Ended June 30, 2016

Cash Flows from Operating Activities	
Receipts from customers	\$ 20,827,513
Payments to related parties	(599,762)
Payments to suppliers	(17,722,732)
Payments to employees	(1,917,711)
	<u>587,308</u>
Net cash provided by operating activities	
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(390,284)
Principal and interest paid on capital debt	(202,499)
	<u>(592,783)</u>
Net cash used in capital and related financing activities	
Cash Flows from Investing Activities - Interest received on investments	
	<u>24,610</u>
Net Increase in Cash and Cash Equivalents	
	19,135
Cash and Cash Equivalents - Beginning of year	
	<u>2,653,452</u>
Cash and Cash Equivalents - End of year	
	<u><u>\$ 2,672,587</u></u>
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and investments	\$ 2,157,795
Restricted cash	514,792
	<u>2,672,587</u>
Total cash and cash equivalents	
	<u><u>\$ 2,672,587</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (71,609)
Depreciation	474,364
Changes in assets and liabilities:	
Accounts receivable	329,927
Related party payable	(8,277)
Postemployment healthcare asset	(11,550)
Net pension liability and related deferred inflows and outflows	42,527
Other assets	(10,119)
Accounts payable	(122,796)
Accrued wages	10,663
Other current liabilities	93
Deposits	3,185
Accrued landfill liabilities	(68,901)
Accrued compensated absences	19,801
	<u>19,801</u>
Net cash used in operating activities	
	<u><u>\$ 587,308</u></u>

Southeastern Oakland County Resource Recovery Authority

**Notes to Financial Statements
June 30, 2016**

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the Southeastern Oakland County Resource Recovery Authority (the "Authority" or SOCRRA):

Reporting Entity

The Authority was created in 1953 as a Michigan Public Corporation under Act Number 179 of the Michigan Public Act of 1947 (as amended by Act Number 92 of the Michigan Public Acts of 1955 and by Act Number 598 of the Michigan Public Acts of 2002) under the original title of Southeastern Oakland County Incinerator Authority. The Authority provides waste disposal and recycling services to 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 waste disposal charges to the member municipalities.

The Authority has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 (as amended by Statement Nos. 39 and 61) and has determined that no entities should be consolidated into its financial statements as component units, entities for which the government is considered to be financially accountable. Therefore, the reporting entity consists of the primary government financial statements only.

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.

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 Resource Recovery Fund.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note I - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

Proprietary 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, Cash Equivalents, 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.

Other Assets - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as other assets in the financial statements.

Restricted Assets - Certain resources of the Authority are set aside for landfill closure and postclosure costs and court order mandates and are classified as restricted assets on the statement of net position because their use is limited to those types of expenses.

Capital Assets - Capital assets, which include property, plant, and equipment, 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 fair market value at the date of donation.

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

<u>Capital Asset Class</u>	<u>Lives</u>
Land improvements	5 to 50 years
Rental properties	5 to 30 years
Buildings	10 to 50 years
Equipment	5 to 25 years

Southeastern Oakland County Resource Recovery Authority

**Notes to Financial Statements
June 30, 2016**

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet 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 a future period and so will not be recognized as an outflow of resources (expense) until then. The Authority reports deferred outflows of resources related to pensions for the difference between projected and actual investment earnings of the pension plan as well as authority contributions made after the measurement date of the net pension liability.

In addition to liabilities, the statement of financial position and/or balance sheet 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 a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows of resources related to pensions for the difference between projected and actual experience of the pension plan.

Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) 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 pension benefits to retirees. The Authority records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs - The Authority offers healthcare benefits to qualified retirees. The Authority performs an actuarial calculation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. The Authority reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - The Authority allows employees to accumulate unused vested sick leave. Once an employee has accumulated at least 320 hours (40 days), he or she shall receive payment at the end of the next fiscal year for all unused sick leave credits earned in excess of 48 hours during the immediately preceding fiscal year. At no time may an employee accumulate over 960 hours (120 days). Employees forfeit all rights to vacation time earned if not used within the year following accrual, unless carried over with the consent of management.

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Authority is charges to customers for services. Operating expenses for the Authority include the cost of services, administrative expenses, and 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.

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, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or 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.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 2 - Deposits and Investments (Continued)

The Authority has designated three 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 investment policies 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 \$330,420 of bank deposits (certificates of deposit and checking and savings accounts) that were 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 limits 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. As of year end, the Authority held \$744,063 in an investment pool with a weighted average maturity of 1.07 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 year end, the Authority had no investments subject to credit risk.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 2 - Deposits and Investments (Continued)

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 \$1 million limit. More than 28 percent of the Authority's investments are in the LGIP. The LGIP is not registered with the SEC, and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized cost.

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; 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 below.

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 or liability.

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 the year ended June 30, 2016, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Oakland County Local Government Investment Pool	\$ 744,063	\$ -	No restrictions	None

The Oakland County LGIP invests assets in a manner which will seek the highest investment return consistent with the preservation of principal and meet the daily liquidity needs of participants.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 3 - Capital Assets

Capital asset activity of the Authority was as follows:

	Balance July 1, 2015	Reclassifications	Additions	Reductions	Balance June 30, 2016
Capital assets not being depreciated:					
Land	\$ 1,354,022	\$ -	\$ -	\$ -	\$ 1,354,022
Construction in progress	231,638	(46,219)	108,060	-	293,479
Total capital assets not being depreciated	1,585,660	(46,219)	108,060	-	1,647,501
Capital assets being depreciated:					
Land improvements	3,466,457	-	120,761	-	3,587,218
Rental properties	942,915	46,219	120,399	(55,067)	1,054,466
Buildings	7,472,687	-	11,884	-	7,484,571
Equipment	3,944,719	-	21,790	-	3,966,509
Total capital assets being depreciated	15,826,778	46,219	274,834	(55,067)	16,092,764
Accumulated depreciation -					
Less accumulated depreciation	11,318,511	-	474,364	(31,663)	11,761,212
Net capital assets being depreciated	4,508,267	46,219	(199,530)	(23,404)	4,331,552
Net capital assets	<u>\$ 6,093,927</u>	<u>\$ -</u>	<u>\$ (91,470)</u>	<u>\$ (23,404)</u>	<u>\$ 5,979,053</u>

Note 4 - Restricted Assets

Restricted assets on the statement of net position are legally restricted for specific purposes as imposed by sources outside the Authority.

The schedule of restricted assets is as follows:

Landfill postclosure	\$ 433,310
Landfill end use	<u>81,482</u>
Total restricted assets (cash)	<u>\$ 514,792</u>

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 5 - Long-term Debt

Long-term obligation activity is summarized as follows:

	Interest Rate	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2013 purchase agreement - Amount of issue - \$211,150	2.19 %	2017	\$ 142,286	\$ -	\$ 70,372	\$ 71,914	\$ 71,914
2014 purchase agreement SCARAB - Amount of issue - \$222,032	4.00	2018	162,536	-	73,206	89,330	76,303
2014 purchase agreement John Deere - Amount of issue - \$237,749	3.00	2019	187,308	-	44,210	143,098	45,941
Total long-term debt			492,130	-	187,788	304,342	194,158
Accrued compensated absences			116,388	67,035	47,234	136,189	58,385
Total			\$ 608,518	\$ 67,035	\$ 235,022	\$ 440,531	\$ 252,543

The accrued compensated absences represent the estimated liability to be paid to employees under the Authority's sick, vacation, and longevity pay policies.

The Authority incurred \$14,290 for interest expense during the year.

Years Ending June 30	Principal	Interest	Total
2017	\$ 194,158	\$ 7,248	\$ 201,406
2018	60,753	2,043	62,796
2019	49,431	501	49,932
Total	\$ 304,342	\$ 9,792	\$ 314,134

Note 6 - 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 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.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 7 - 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 Water Authority (SOCWA). The cost-sharing arrangements resulted in the Authority paying SOCWA \$551,485 for the year ended June 30, 2016. In addition to these shared costs, the Authority is also charged and pays an annual office rental fee to SOCWA in the amount of \$40,000. As of June 30, 2016, the amount of payables due to SOCWA was \$251,788.

Note 8 - Contingent Liabilities

Madison Heights Property (Old Royal Oak Township Dump Site)

The Authority has been identified as a potentially liable party, along with three other entities, by the Michigan Department of Environmental Quality with respect to environmental contamination on the site formerly used by Royal Oak Township as a refuse disposal area. The Authority has conducted soil testing to determine the presence of contamination, performed minor debris cleanup, and added soil as necessary to increase the thickness of the protective cap that covers the area. The Authority incurred \$3,229 of expenses for the year ended June 30, 2016 for site-related costs incurred for environmental analysis and cap improvement.

The Authority, in conjunction with the three other parties, has submitted a remedial action plan to the State of Michigan wherein it requests that the State certify the remediation work performed to date and approve a continuing maintenance program. The plan provides that the Authority will complete its cap improvement work and obtain certain agreements from property leases regarding use restrictions on the site. The Authority estimates that it has completed substantially all of the remedial action plan items.

City of Rochester Hills versus SOCRRA

The City of Rochester Hills filed a motion in June 2002 related to the end use of the landfill property. After several hearings, the parties agreed to the following:

1. The Authority shall maintain an escrow account in the amount of \$100,000 that will be held until Rochester Hills and the Authority have agreed on an end use to the landfill property. On December 3, 2008, SOCRRA received a court order allowing the release of \$90,000 from the escrow account. Under the terms of the court order, SOCRRA was allowed to withdraw \$90,000 from the account in 2009 and will deposit \$10,000 into the account on an annual basis until the balance once again reaches \$100,000. The balance in this account at June 30, 2016 is \$81,482, which complies with the 2008 court order.

Southeastern Oakland County Resource Recovery Authority

**Notes to Financial Statements
June 30, 2016**

Note 8 - Contingent Liabilities (Continued)

2. The Authority will continue to maintain a postclosure liability account. The balance in this account as of June 30, 2016 is \$433,310.

All of the remaining issues in this case have been resolved.

City of Madison Heights versus SOCRRA

This case involves the City of Madison Heights' allegations that the Authority owes it an equity payment under a law purporting to govern a member's withdrawal from the Authority. The Authority filed counterclaims for unpaid invoices for environmental liabilities previously tendered to the City of Madison Heights. The parties reached a settlement agreement on March 16, 2005 that resolved all of the outstanding issues in this case. The City of Madison Heights agreed to assume responsibility for 8.75 percent of the Authority's environmental liabilities from July 1, 2004 forward for all the Authority's properties used during the membership of the City of Madison Heights in the Authority. The Authority and the City of Madison Heights have also resolved several property issues following the City of Madison Heights' preparation of the required easements and property descriptions.

Note 9 - Landfill Closure and Postclosure Care Cost

Federal, state, and local laws and regulations require the Authority to place a final cover on its Rochester Hills landfill site since it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The closure was completed on December 5, 2005.

A liability for landfill closure and postclosure care in the amount of \$1,431,837 is reported at June 30, 2016. These amounts represent the cumulative remaining amount reported to date based on the use of 100 percent of the estimated capacity of the landfill as of June 30, 2016, less amounts expended toward the liability. For the year ended June 30, 2016, \$128,780 was actually expended in postclosure costs. In the current year, there was an decrease of \$68,901 in the liability for postclosure care costs. These amounts are based on what it would cost to perform all closure and postclosure care as of June 30, 2016. Actual cost may be higher because of inflation, changes in technology, or changes in regulations.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 10 - Other Postemployment Benefits

Plan Description - The Authority provides retiree healthcare benefits to eligible union and nonunion employees and their beneficiaries. There are separate plans for union and nonunion employees. SOCRRA and SOCWA are joint participants in the nonunion plan that operates under SOCWA's name. The amounts disclosed represent the full amount of the plan's activity. SOCRRA's share is estimated to be 57 percent. Since the nonunion plan became effective 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, 2016 was 5 percent. The Authority's board has the authority to establish and amend benefit provisions.

Union employees are not required to make contributions but certain participants are required to pay co-pays. Benefit provisions are established through collective bargaining agreements. Both plans are agent multiple-employer defined benefit plans administered by the Municipal Employees' Retirement System of Michigan Health Funding Vehicle.

Funding Policy - The Authority has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). 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.

The Authority funded 100 percent of the cost of current year premiums for eligible retired plan members and their beneficiaries as well as an additional \$10,000 discretionary contribution to the union plan authorized as part of the budget. For fiscal year 2016, the Authority contributed a total of \$42,842 to the union plan.

Funding Progress - The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 10 - Other Postemployment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Authority has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation to the retiree health plan:

	<u>Nonunion*</u>	<u>Union</u>	<u>Total</u>
Annual required contribution (recommended)	\$ 41,277	\$ 37,487	\$ 78,764
Interest on prior year net OPEB obligation/asset	5,670	(3,027)	2,643
Less adjustment to the annual required contribution	<u>(5,215)</u>	<u>2,784</u>	<u>(2,431)</u>
Annual OPEB cost	41,732	37,244	78,976
Amounts contributed:			
Payments of current premiums	(37,658)	(32,842)	(70,500)
Advance funding	<u>(15,000)</u>	<u>(10,000)</u>	<u>(25,000)</u>
Change in net OPEB obligation/asset	(10,926)	(5,598)	(16,524)
OPEB obligation (asset) - Beginning of year	<u>70,877</u>	<u>(37,833)</u>	<u>33,044</u>
OPEB obligation (asset) - End of year	<u>\$ 59,951</u>	<u>\$ (43,431)</u>	<u>\$ 16,520</u>

* Amounts represent total plan activity, including SOCWA's share. SOCRA's share of the nonunion OPEB obligation was \$34,448 at June 30, 2016. That amount plus the union OPEB asset of \$43,431 nets to a total OPEB asset of \$8,983.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 10 - Other Postemployment Benefits (Continued)

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and two preceding years were as follows:

	Fiscal Year Ended	Annual OPEB Costs	Percentage Contributed	Net OPEB (Asset) Obligation
Union	6/30/16	\$ 37,244	115.0 %	\$ (43,431)
	6/30/15	39,605	144.0	(37,833)
	6/30/14	50,998	91.8	(20,387)
Nonunion*	6/30/16	41,732	126.2	59,951
	6/30/15	43,662	108.5	70,877
	6/30/14	51,874	135.5	74,582

* Amounts represent total plan activity, including SOCWA's share

The funding progress of the union and nonunion plans is as follows:

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)
Union	6/30/15	\$ 393,879	\$ 618,507	\$ 224,628	63.7 %
	6/30/14	351,129	611,756	260,627	57.4
	6/30/13	302,286	670,431	368,145	45.1
Nonunion*	6/30/15	483,509	826,980	343,471	58.5
	6/30/14	422,036	797,924	375,888	52.9
	6/30/13	341,394	816,491	475,097	41.8

* Amounts represent total plan activity, including SOCWA's share

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plans (the plans as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 10 - Other Postemployment Benefits (Continued)

The following simplifying assumptions were made:

Retirement Age for Active Employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62 or at the first subsequent year in which the member would qualify for benefits.

Marital Status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The United States life tables for males and for females were obtained from the Center for Disease Control (www.cdc.gov). The most recent data utilized are the life tables for males and females, 2011 version (Tables 2 and 3 from the National Vital Statistics Reports, Vol. 64, No. 11 dated September 22, 2015).

Turnover - Nongroup-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 4.9 percent initially, fluctuating to an ultimate rate of 6.2 percent after six years, was used.

Health Insurance Premiums - 2016 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation Rate - The expected long-term inflation assumption of 2.5 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in The 2007 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds for an intermediate growth scenario.

Payroll Growth Rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the MERS Total Market Fund, a discount rate of 8.0 percent was used for both calculations. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2015 was 24 years for the nonunion plan and nine years for the union plan.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 11 - Defined Benefit Pension Plan - Union

Plan Description - The Authority participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees Retirement System of Michigan (MERS of Michigan), that covers all union employees of the Authority. MERS of Michigan 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 of Michigan 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 of Michigan at 1134 Municipal Way, Lansing, Michigan 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 of Michigan plan covers all nonsalaried full-time authority employees.

Retirement benefits for employees are calculated as 2.0 percent of the employee's final three-year average salary times the employee's credited years of service for nonsupervisory employees and 2.25 percent for supervisory employees. Nonsupervisory employees hired after July 1, 2010 are eligible for a hybrid benefit-defined contribution plan. These benefits are established by resolution of the Authority and negotiation with the collective bargaining unit representing union employees. Retirement benefits for employees participating in the hybrid plan are calculated as 1.0 percent of the employee's final three-year average salary times the employee's credited years of service.

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 0.5 percent for each complete month that the retirement date precedes 60. There is no early retirement option for nonsupervisory employees hired after July 1, 2010. The vesting period is 10 years for employees hired prior to July 1, 2010 and six years for employees that are participating in the hybrid plan.

Benefit terms, within the parameters established by MERS of Michigan, are generally established and amended by authority of the board of trustees, generally after negotiations of these terms with the affected unions.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 11 - Defined Benefit Pension Plan - Union (Continued)

Employees Covered by Benefit Terms - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	24
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>20</u>
Total employees covered by MERS	<u><u>49</u></u>

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 of Michigan retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS of Michigan 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, 2016, the average active employee contribution rate was 2.5 percent of annual pay for supervisory and nonsupervisory employees, 0 percent for employees hired after July 1, 2010 who were participating in the hybrid plan; the Authority's average contribution rate was 32.72 percent of annual pay for supervisory employees, \$7,983 per month for nonsupervisory employees, and 5.38 percent for employees participating in the hybrid plan

Net Pension Liability

The net pension liability reported at June 30, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 11 - Defined Benefit Pension Plan - Union (Continued)

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 5,344,515	\$ 3,516,948	\$ 1,827,567
Service cost	82,868	-	82,868
Interest	428,156	-	428,156
Differences between expected and actual experience	(201,235)	-	(201,235)
Changes in assumptions	223,060	-	223,060
Contributions - Employer	-	165,865	(165,865)
Contributions - Employee	-	18,919	(18,919)
Net investment income	-	(50,323)	50,323
Benefit payments, including refunds	(392,361)	(392,361)	-
Administrative expenses	-	(7,501)	7,501
Net changes	140,488	(265,401)	405,889
Balance at December 31, 2015	\$ 5,485,003	\$ 3,251,547	\$ 2,233,456

Assumption Changes - From the time of the last measurement date at December 31, 2014 to December 31, 2015, the actuary modified significant assumptions that affect the measurement of the total pension liability. The actuary adjusted the assumed annual rate of return down from 8.25 percent to 8.00 percent. The mortality tables were updated from the 1994 Group Mortality Table to a blend of the RP-2014 tables described below.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 11 - Defined Benefit Pension Plan - Union (Continued)

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

For the year ended June 30, 2016, the Authority recognized pension expense of \$302,421. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 150,926
Changes in assumptions	167,295	-
Net difference between projected and actual earnings on pension plan investments	302,224	-
Employer contributions to the plan subsequent to the measurement date	<u>76,781</u>	<u>-</u>
Total	<u>\$ 546,300</u>	<u>\$ 150,926</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$76,781), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

<u>Years Ending June 30</u>	<u>Amount</u>
2017	\$ 84,091
2018	84,091
2019	84,091
2020	66,320

Actuarial Assumptions - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.75%	
Investment rate of return	8.00%	Gross of pension plan investment expense, including inflation

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 11 - Defined Benefit Pension Plan - Union (Continued)

Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables:

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

For disabled retirees, the RP-2014 Disabled Retiree Mortality Table is used with a 50 percent male and 50 percent female blend.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study from 2009-2013.

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

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 model 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. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.0 %
Global fixed income	20	2.2
Real assets	12	4.2
Diversifying strategies	10	6.6

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 11 - Defined Benefit Pension Plan - Union (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Authority, calculated using the discount rate of 8 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Net pension liability of the Authority	\$ 2,845,200	\$ 2,233,456	\$ 1,715,103

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. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 12 - Defined Benefit Pension Plan - Salaried

Plan Description - Because salaried employees of SOCRRA and SOCWA are participants in the SOCWA plan and the two authorities are considered joint participants. The amounts disclosed represent the full amount of the plan's activity, including the liability for the full SOCWA share (union and salaried) and SOCRRA's share of salaried participants. SOCRRA's share of the total pension liability is estimated to be approximately 33 percent.

The Authority participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees Retirement System of Michigan (MERS of Michigan), that covers all salaried employees of the Authority. MERS of Michigan 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 of Michigan 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 of Michigan at 1134 Municipal Way, Lansing, Michigan 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 of Michigan.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 12 - Defined Benefit Pension Plan - Salaried (Continued)

The MERS of Michigan plan covers all salaried full-time authority employees.

Retirement benefits for employees are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service. Employees hired after July 1, 2010 are eligible for a hybrid defined benefit-defined contribution plan. These benefits are established by resolution of the Authority. Retirement benefits for employees participating in the hybrid plan are calculated as 1.5 percent of the employee's final three-year average salary times the employee's credited years of service.

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 0.5 percent for each complete month that the retirement date precedes 60. There is no early retirement option for nonsupervisory employees hired after July 1, 2010. The vesting period is 10 years for salaried employees hired before July 1, 2010 and six 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 - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	21
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	18
Total employees covered by MERS of Michigan	40

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 of Michigan retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS of Michigan 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.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 12 - Defined Benefit Pension Plan - Salaried (Continued)

For the year ended June 30, 2016, the average active employee contribution rate was 5.0 percent of annual pay for salaried employees and 0 percent for employees hired after July 1, 2010 who were participating in the hybrid plan; the Authority's average contribution rate was \$10,707 per month for salaried employees and 9.49 percent for employees participating in the hybrid plan.

Net Pension Liability

At June 30, 2015, the Authority reported a liability of \$913,502 for its proportionate share of the net pension liability, which was estimated to be 33 percent of the total. The net pension liability reported at June 30, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 2,862,920	\$ 2,137,452	\$ 725,468
Service cost	32,088	-	32,088
Interest	229,621	-	229,621
Differences between expected and actual experience	(16,242)	-	(16,242)
Changes in assumptions	151,311	-	151,311
Contributions - Employer	-	232,779	(232,779)
Contributions - Employee	-	11,631	(11,631)
Net investment income	-	(31,054)	31,054
Benefit payments, including refunds	(191,344)	(191,344)	-
Administrative expenses	-	(4,612)	4,612
Net changes	205,434	17,400	188,034
Balance at December 31, 2015	\$ 3,068,354	\$ 2,154,852	\$ 913,502

Assumption Changes - From the time of the last measurement date at December 31, 2014 to December 31, 2015, the actuary modified significant assumptions that affect the measurement of the total pension liability. The actuary adjusted the assumed annual rate of return down from 8.25 to 8.00 percent. The mortality tables were updated from the 1994 Group Mortality Table to a blend of the RP-2014 tables described below.

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 12 - Defined Benefit Pension Plan - Salaried (Continued)

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

For the year ended June 30, 2016, the Authority recognized pension expense of \$171,433. At June 30, 2015, 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	\$ -	\$ 10,828
Changes in assumptions	100,874	-
Net difference between projected and actual earnings on pension plan investments	192,056	-
Employer contributions to the plan subsequent to the measurement date	35,164	-
Total	<u>\$ 328,094</u>	<u>\$ 10,828</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$35,164), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

Years Ending June 30	Amount
2017	\$ 95,082
2018	95,082
2019	50,059
2020	41,879

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%	
Salary increases	3.75%	
Investment rate of return	8.00%	Gross of pension plan investment expense, including inflation

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 12 - Defined Benefit Pension Plan - Salaried (Continued)

Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables:

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

For disabled retirees, the RP-2014 Disabled Retiree Mortality Table is used with a 50 percent male and 50 percent female blend.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study from 2009-2013.

Discount Rate - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

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 model 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. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.0 %
Global fixed income	20	2.2
Real assets	12	4.2
Diversifying strategies	10	6.6

Southeastern Oakland County Resource Recovery Authority

Notes to Financial Statements June 30, 2016

Note 12 - Defined Benefit Pension Plan - Salaried (Continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Authority, calculated using the discount rate of 8 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Net pension liability of the Authority	\$ 1,217,157	\$ 913,502	\$ 650,538

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. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 13 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Authority to recognize on the face of the financial statements its net OPEB liability. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). 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, 2018.

Note 14 - Subsequent Event

On October 13, 2016, the Authority intends to issue \$12.5 million of long-term debt in order to finance upgrading the MRF to be a single-stream operation.

Required Supplemental Information

Southeastern Oakland County Resource Recovery Authority

Required Supplemental Information OPEB System Schedule - Union Year Ended June 30, 2016

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)
6/30/15	\$ 393,879	\$ 618,507	\$ 224,628	63.7
6/30/14	351,129	611,756	260,627	57.4
6/30/13	302,286	670,431	368,145	45.1

Southeastern Oakland County Resource Recovery Authority

Required Supplemental Information OPEB System Schedule - Nonunion* Year Ended June 30, 2016

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)
6/30/15	\$ 483,509	\$ 826,980	\$ 343,471	58.5
6/30/14	422,036	797,924	375,888	52.9
6/30/13	341,394	816,491	475,097	41.8

* Amounts represent the total plan, including SOCWA's share. SOCRRA's share is estimated to be 57 percent.

Southeastern Oakland County Resource Recovery Authority

Required Supplemental Information Schedule of Changes in the Authority Net Pension Liability and Related Ratios - Union Last Two Fiscal Years (schedule is built prospectively upon implementation of GASB Statement No. 68)

	2016	2015
Total Pension Liability		
Service cost	\$ 82,868	\$ 80,047
Interest	428,156	419,489
Differences between expected and actual experience	(201,235)	-
Changes in assumptions	223,060	-
Benefit payments, including refunds	(392,361)	(399,419)
Net Change in Total Pension Liability	140,488	100,117
Total Pension Liability - Beginning of year	5,344,515	5,244,398
Total Pension Liability - End of year	\$ 5,485,003	\$ 5,344,515
Plan Fiduciary Net Position		
Contributions - Employer	\$ 165,865	\$ 149,837
Contributions - Employee	18,919	20,705
Net investment income	(50,323)	220,253
Administrative expenses	(7,501)	(9,918)
Benefit payments, including refunds	(392,361)	(399,419)
Net Change in Plan Fiduciary Net Position	(265,401)	(18,542)
Plan Fiduciary Net Position - Beginning of year	3,516,948	3,535,490
Plan Fiduciary Net Position - End of year	\$ 3,251,547	\$ 3,516,948
Authority's Net Pension Liability - Ending	\$ 2,233,456	\$ 1,827,567
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	59.28 %	65.80 %
Covered Employee Payroll	\$ 1,070,624	\$ 1,003,517
Authority's Net Pension Liability as a Percentage of Covered Employee Payroll	208.6 %	182.1 %

Southeastern Oakland County Resource Recovery Authority

Required Supplemental Information Schedule of Authority Contributions - Union Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 165,232	\$ 161,998	\$ 135,955	\$ 110,343	\$ 88,987	\$ 93,237	\$ 87,668	\$ 99,232	\$ 83,945	\$ 80,811
Contributions in relation to the actuarially determined contribution	165,232	161,998	135,955	110,343	88,987	93,237	87,668	99,232	83,945	80,811
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 1,070,624	\$ 1,003,517	\$ 850,431	\$ 844,295	\$ 858,062	\$ 832,002	\$ 890,794	\$ 895,173	\$ 835,747	\$ 662,521
Contributions as a Percentage of Covered Employee Payroll	15.4 %	16.1 %	16.0 %	13.1 %	10.4 %	11.2 %	9.8 %	11.1 %	10.0 %	12.2 %

Notes to Schedule of Authority 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 25 years

Asset valuation method 10-year smoothed market

Inflation 3 to 4 percent

Salary increases 4.5 percent, including inflation

Investment rate of return 8 percent

Retirement age Experience-based tables of rates that are specific to the type of eligibility condition

Mortality 50 percent male - 50 percent female blend of the 1994 Group Annuity Mortality Table.

Other information None

Southeastern Oakland County Resource Recovery Authority

Required Supplemental Information Schedule of the Authority's Proportionate Share of the Net Pension Liability - Salaried Last Two Fiscal Years (schedule is built prospectively upon implementation of GASB Statement No. 68)

	<u>2016</u>		<u>2015</u>
Authority's proportion of the net pension liability	33.0 %		33.0 %
Authority's proportionate share of the net pension liability	\$ 913,502	\$	725,468
Authority's covered employee payroll	\$ 355,325	\$	367,048
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	257.1 %		197.6 %
Plan fiduciary net position as a percentage of total pension liability	70.2 %		74.7 %

Southeastern Oakland County Resource Recovery Authority

Required Supplemental Information Schedule of Authority Contributions - Salaried Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 70,297	\$ 82,282	\$ 76,867	\$ 52,275	\$ 45,058	\$ 69,160	\$ 61,992	\$ 66,354	\$ 48,954	\$ 50,005
Contributions in relation to the actuarially determined contribution	266,112	236,155	233,393	208,749	45,058	69,160	61,992	66,354	48,954	50,005
Contribution (Excess) Deficiency	\$ (195,815)	\$ (153,873)	\$ (156,526)	\$ (156,474)	\$ -					
Covered Employee Payroll	\$ 355,325	\$ 367,048	\$ 385,513	\$ 354,755	\$ 361,103	\$ 420,065	\$ 425,257	\$ 453,623	\$ 419,730	\$ 433,476
Contributions as a Percentage of Covered Employee Payroll	74.9 %	64.3 %	60.5 %	58.8 %	12.5 %	16.5 %	14.6 %	14.6 %	11.7 %	11.5 %

Notes to Schedule of Authority 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 25 years

Asset valuation method 10-year smoothed market

Inflation 3 to 4 percent

Salary increases 4.5 percent, including inflation

Investment rate of return 8 percent

Retirement age Experience-based tables of rates that are specific to the type of eligibility condition

Mortality 50 percent male - 50 percent female blend of the 1994 Group Annuity Mortality Table.

Other information Because salaried employees of SOCRRA and SOCWA are participants in the SOCWA plan, the two authorities are considered joint participants. The amounts disclosed above represent SOCRRA's share of the plan's total activity. SOCRRA's share is estimated to be approximately 33 percent.

Other Supplemental Information

Southeastern Oakland County Resource Recovery Authority

Other Supplemental Information Schedule of Budget Analysis Year Ended June 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Municipal refuse:			
Members	\$ 17,067,700	\$ 17,276,835	\$ 209,135
Others	660,000	1,664,030	1,004,030
Total municipal refuse	17,727,700	18,940,865	1,213,165
Compost material - Others	70,000	137,486	67,486
Recyclable materials:			
Cardboard	263,000	271,428	8,428
Plastics	518,000	253,118	(264,882)
Scrap metal	79,000	39,998	(39,002)
Paper	610,000	475,787	(134,213)
Glass	13,000	1,615	(11,385)
Batteries	4,000	3,036	(964)
Tin cans	121,000	32,615	(88,385)
Nonferrous metal	17,000	10,544	(6,456)
Electronics	24,000	11,907	(12,093)
Total recyclable materials	1,649,000	1,100,048	(548,952)
Other income:			
Compost	60,000	199,188	139,188
Interest on investments	20,000	24,610	4,610
Rental income	90,000	96,211	6,211
Miscellaneous income	25,000	23,788	(1,212)
Total other income	195,000	343,797	148,797
Total revenue	19,641,700	20,522,196	880,496
Operating Expenses			
Madison Heights transfer station	122,200	119,266	2,934
Household hazardous waste	285,100	446,944	(161,844)
Troy transfer station operation	3,166,750	3,898,437	(731,687)
Material recovery facility	1,286,400	1,387,333	(100,933)
Compost operation	446,700	496,839	(50,139)
Administrative and general	1,340,800	1,559,233	(218,433)
Collection contract operations	12,089,000	12,186,779	(97,779)
Loss on sale of assets	-	30,794	(30,794)
Total operating expenses excluding depreciation	18,736,950	20,125,625	(1,388,675)
Funds Available for Transfer	\$ 904,750	\$ 396,571	\$ (508,179)

Southeastern Oakland County Resource Recovery Authority

Other Supplemental Information Schedule of Budget Operating Expense Analysis Year Ended June 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Madison Heights Transfer Station			
Labor and supervision	\$ 27,500	\$ 14,497	\$ 13,003
Maintenance of equipment	-	1,798	(1,798)
Maintenance of building	1,800	4,362	(2,562)
Maintenance of property and grounds	-	6,001	(6,001)
Hauling	60,000	70,141	(10,141)
Supplies	400	107	293
Utilities	31,500	22,360	9,140
Miscellaneous	1,000	-	1,000
Total Madison Heights transfer station	122,200	119,266	2,934
Battery Recycling/Household Special Waste			
Labor and supervision	37,100	38,692	(1,592)
Household waste transfer hauling	246,000	372,740	(126,740)
Disposal of electrical equipment	-	6,651	(6,651)
Disposal of batteries	2,000	4,116	(2,116)
Miscellaneous	-	24,745	(24,745)
Total battery recycling/household special waste	285,100	446,944	(161,844)
Troy Transfer Station			
Labor and supervision	291,500	387,100	(95,600)
Maintenance of equipment	198,000	117,164	80,836
Maintenance of building	2,900	10,685	(7,785)
Maintenance of property and grounds	1,500	1,061	439
Hauling	60,000	88,666	(28,666)
Supplies	1,650	11,229	(9,579)
Utilities	24,200	43,776	(19,576)
Contractual municipal solid waste	2,587,000	3,238,756	(651,756)
Total Troy transfer station	3,166,750	3,898,437	(731,687)
Material Recovery Facility			
Labor and supervision	934,800	1,070,880	(136,080)
Maintenance of equipment	150,000	106,366	43,634
Maintenance of building	8,400	16,552	(8,152)
Maintenance of property and grounds	3,000	3,121	(121)
Supplies	57,000	51,206	5,794
Rejected recycling materials	32,800	35,953	(3,153)
Utilities	56,400	44,580	11,820
Miscellaneous	44,000	58,675	(14,675)
Total material recovery facility	1,286,400	1,387,333	(100,933)

Southeastern Oakland County Resource Recovery Authority

Other Supplemental Information Schedule of Budget Operating Expense Analysis (Continued) Year Ended June 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Landfill Compost Operation			
Labor and supervision	\$ 167,600	\$ 186,546	\$ (18,946)
Maintenance of equipment	169,000	154,060	14,940
Maintenance of building	6,000	2,772	3,228
Maintenance of property and grounds	7,500	21,321	(13,821)
Delivery of compost	36,500	51,093	(14,593)
Supplies	3,400	2,659	741
Utilities	3,700	4,199	(499)
Disposal	51,000	11,075	39,925
Closure and postclosure care	2,000	63,050	(61,050)
Miscellaneous	-	64	(64)
Total landfill compost operation	446,700	496,839	(50,139)
Administrative and General			
Salaries	275,000	270,270	4,730
Administrative and office	15,000	17,754	(2,754)
Office space rental	40,000	40,000	-
Personnel improvement	1,000	2,788	(1,788)
Travel and conference	5,000	9,313	(4,313)
Recycling education	10,000	11,500	(1,500)
Consulting	60,000	57,633	2,367
Legal	24,000	51,923	(27,923)
Audit	17,200	17,200	-
Social Security	93,700	102,832	(9,132)
Postemployment health care	20,000	(1,550)	21,550
Retirement plan	244,000	517,790	(273,790)
Insurance:			
General	70,400	(31,347)	101,747
Group	335,000	313,576	21,424
Workers' compensation	24,400	17,783	6,617
Life	3,100	6,469	(3,369)
Service fee - Madison Heights	19,000	16,489	2,511
Property taxes	29,000	27,776	1,224
Rental properties	25,000	26,801	(1,801)
Miscellaneous recycling	10,000	55,467	(45,467)
Miscellaneous	20,000	28,766	(8,766)
Total administrative and general	1,340,800	1,559,233	(218,433)
Collection Contract Operations			
Contracted city collections	11,765,196	11,866,024	(100,828)
Brush chipping	323,804	320,755	3,049
Total collection contract operations	12,089,000	12,186,779	(97,779)
Total operating expenses, excluding depreciation	\$ 18,736,950	\$ 20,094,831	\$ (1,357,881)

Southeastern Oakland County Resource Recovery Authority

Other Supplemental Information Schedule of Customer Accounts Receivable and Analysis of Charges Year Ended June 30, 2016

	Accounts Receivable Balance July 1, 2015	Refuse Number of Tons	Compost Number of Tons	Recyclable Number of Tons	Total Number of Tons	Monthly Bills	Special Charge	Late Charge	Total Charges	Payments Applied to Charges	Accounts Receivable Balance June 30, 2016
Municipalities											
Berkley	\$ 75,253	5,751	2,366	1,072	9,189	\$ 905,808	\$ 13,551	\$ -	\$ 919,359	\$ 917,897	\$ 76,715
Beverly Hills	52,220	3,772	2,001	1,236	7,009	632,400	-	-	632,400	658,270	26,350
Birmingham	118,219	10,042	4,337	2,260	16,639	1,417,800	5,086	-	1,422,886	1,422,301	118,804
Clawson	65,126	5,378	1,850	744	7,972	761,904	18,048	-	779,952	746,661	98,417
Ferndale	140,208	10,287	2,751	1,770	14,808	1,681,008	39,964	-	1,720,972	1,721,097	140,083
Hazel Park	44,583	6,907	1,505	597	9,009	1,091,400	540	-	1,091,940	1,045,573	90,950
Huntington Woods	28,250	2,022	1,510	1,038	4,570	345,792	280	-	346,072	345,506	28,816
Lathrup Village	23,445	1,733	1,039	287	3,059	282,504	2,880	-	285,384	285,119	23,710
Oak Park	667,028	10,412	3,114	895	14,421	1,598,304	32,701	-	1,631,005	2,164,841	133,192
Pleasant Ridge	7,250	930	969	307	2,206	177,504	2,742	-	180,246	172,476	15,020
Royal Oak	301,531	23,565	10,551	4,036	38,152	4,030,120	12,573	-	4,042,693	3,979,561	364,663
Troy	338,500	28,069	9,104	5,183	42,356	4,143,192	80,734	-	4,223,926	4,210,104	352,322
Total municipalities	1,861,613	108,868	41,097	19,425	169,390	17,067,736	209,099	-	17,276,835	17,669,406	1,469,042
Other Customers	156,164	41,837	1,663	481	43,981	1,801,516	6,030	659	1,808,205	1,769,451	194,918
Unbilled Receivables	120,659	-	-	-	-	-	-	-	144,439	120,659	144,439
Total	\$ 2,138,436	150,705	42,760	19,906	213,371	\$ 18,869,252	\$ 215,129	\$ 659	\$ 19,229,479	\$ 19,559,516	\$ 1,808,399

Southeastern Oakland County Resource Recovery Authority

Other Supplemental Information Schedule of Working Capital Analysis

	Year Ended June 30	
	2016	2015
Total current unrestricted assets	\$ 4,135,686	\$ 4,459,600
Less current unrestricted liabilities	<u>3,242,349</u>	<u>3,354,881</u>
Total working capital	<u>\$ 893,337</u>	<u>\$ 1,104,719</u>
Annual operating expenses before depreciation	<u>\$ 20,094,831</u>	<u>\$ 23,115,697</u>
Percentage of working capital to annual operating expenses	<u>4.45%</u>	<u>4.78%</u>