Southeastern Oakland County Resource Recovery Authority

Financial Report
with Supplementary Information
June 30, 2023

Contents

Independent Auditor's Report

To the Board of Directors
Southeastern Oakland County Resource Recovery Authority

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

To the Board of Directors
Southeastern Oakland County Resource Recovery Authority

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeastern Oakland County Resource Recovery Authority's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

October 25, 2022

Management's Discussion and Analysis

As management of the 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 30, 2023. 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 increased in the amount of $670,439 for the year ended June 30, 2023.
- The liability for landfill postclosure costs decreased by $33,387.
- The Authority's working capital at year end was $256,357, which represents approximately 0.99 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 $842,296.

Overview of the Basic Financial Statements

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

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

The statement of net position presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in total net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenue, expenses, and changes in net position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., 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 solid waste and recycling services to member communities.

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

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

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets and deferred outflows exceed liabilities and deferred inflows by $8,469,062 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net position is invested in capital assets (e.g., land, buildings, vehicles, 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 ($447,101) at year end.

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

	June 30	
	2023	2022
Assets		
Other assets	$ 5,565,825	$ 6,826,872
Capital assets - Net	15,163,966	14,588,470
Total assets	22,119,919	21,415,342
Deferred Outflows of Resources	1,467,330	616,191
Liabilities		
Current liabilities	5,309,468	4,217,149
Noncurrent liabilities	9,666,024	8,929,118
Total liabilities	14,975,492	13,146,267
Deferred Inflows of Resources	142,695	1,086,643
Net Position		
Net investment in capital assets	7,949,314	6,984,029
Restricted	966,849	500,470
Unrestricted	(447,101)	314,124
Total net position	**$ 8,469,062**	**$ 7,798,623**

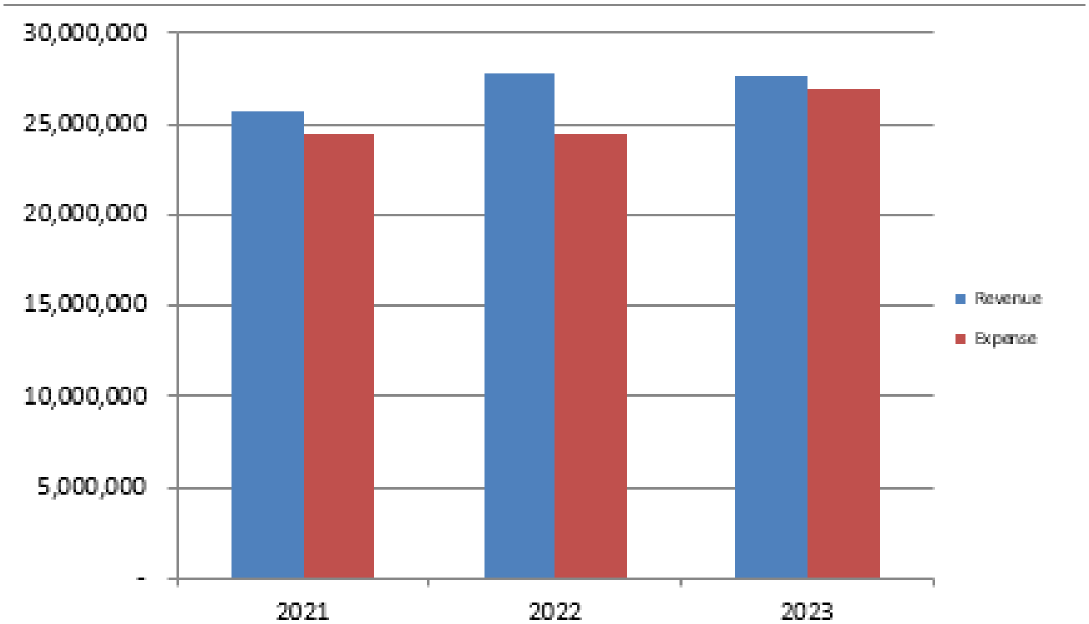
The following table reflects the condensed statement of revenue, expenses, and changes in net position compared to the prior year:

	Year Ended June 30	
	2023	2022
Revenue		
Municipal solid waste	$ 24,833,621	$ 23,813,121
Compost material	19,070	14,268
Recyclable materials	2,192,531	3,482,766
Interest income	87,486	23,148
Gain on disposal of asset	141,837	-
Other income	555,937	487,616
Total revenue	27,830,482	27,820,919
Expenses		
Madison Heights transfer station	103,542	151,862
Household hazardous waste	602,427	580,645
Troy transfer station operation	4,557,681	4,153,485
Material recovery facility	3,095,536	2,579,774
Compost operation	645,348	570,656
Administrative and general	1,421,785	975,139
Collection contract operations	15,570,474	14,433,068
Interest expense	177,948	200,836
Loss on disposal of asset	-	197,771
Depreciation	985,302	951,771
Total expenses	27,160,043	24,795,007
Change in Net Position	670,439	3,025,912
Net Position - Beginning of year	7,798,623	4,772,711
Net Position - End of year	**$ 8,469,062**	**$ 7,798,623**

Municipal solid waste (MSW) revenue was higher for 2023 due to an increase to member rates as of July 1, 2022, increased interest income and increased other income, which was partially offset by decreases revenue from the sale of recycled materials.

Expenses were higher in 2023 primarily due to increases in collection and disposal contract costs.

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



Capital Asset and Debt Administration

Capital Assets – The Authority's investment in capital assets for its activities as of June 30, 2023 amounted to $15,163,966 (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 increased by $575,496 or 3.9 percent as current year additions exceeded depreciation expense.

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

- Payments of $173,000 for the new horizontal grinder
- Repair costs of $108,000 for damages caused by GFL, which will be reimbursed by GFL's insurance carrier
- The final expenses for the MRF robot project of $95,000, which will be partially reimbursed through two grants we have received for this project
- A used shuttle truck for the Troy Transfer Station at a cost of $80,000
- Payments of $50,000 for the new compost screener at the Compost Site
- The first payment of $28,000 for a new loader for the Troy Transfer Station
- The replacement of the MRF scale at a cost of $25,000
- A fire detection system for the Troy Transfer Station at a cost of $24,000
- The replacement of the hopper for one of the two trash compactors at the Troy Transfer Station as a cost of $24,000
- The initial costs of $15,000 for the replacement of our scale software that is used at all of our facilities

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 of $1,281,268. The outstanding principal balance of all equipment financing as of June 30, 2023 is $6,741,630. 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 2023-2024 fiscal year:

- Wages were increased by 5.0 percent for union employees and by 4.0 percent for salaried employees.
- Health insurance costs were increased by 5 percent for active employees and by 2 percent for retirees.
- The number of salaried and union employees remained unchanged from the 2022-2023 budget and includes two open positions.
- Recycling tonnage and refuse tonnage contributed by member communities was estimated at the two-year average of the actual tonnage for 2021/22 and the estimated tonnage for 2022/23.
- Costs for the collection contracts and the disposal contract were based on the existing contracts and include fuel and CPI surcharges that are effective as of July 1, 2023.
- A monthly surcharge was continued to help fund the Authority’s bond principal and interest expenses.

Request for Information

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

Statement of Net Position

	June 30, 2023
Assets	
Current assets:	
Cash and investments (Note 2)	$ 3,272,516
Accounts receivable	2,032,858
Other current assets	260,451
Total current assets	5,565,825
Noncurrent assets:	
Restricted cash (Notes 2 and 4)	962,141
Net OPEB asset (Note 10)	427,987
Capital assets: (Note 3)	
Assets not subject to depreciation	1,443,718
Assets subject to depreciation - Net	13,720,248
Total noncurrent assets	16,554,094
Total assets	22,119,919
Deferred Outflows of Resources	
Deferred pension costs (Note 11)	1,428,468
Deferred OPEB costs (Note 10)	38,862
Total deferred outflows of resources	1,467,330
Liabilities	
Current liabilities:	
Accounts payable	4,240,401
Deposits	13,740
Accrued liabilities and other:	
Accrued salaries and wages	24,392
Due to related party (Note 7)	57,620
Other current liabilities	12,284
Accrued compensated absences (Note 5)	71,492
Landfill postclosure care costs (Note 9)	80,164
Current portion of long-term debt (Note 5)	809,375
Total current liabilities	5,309,468
Noncurrent liabilities:	
Accrued compensated absences (Note 5)	94,578
Landfill postclosure care costs (Note 9)	713,847
Net pension liability (Note 11)	2,452,322
Long-term debt - Net of current portion (Note 5)	6,405,277
Total noncurrent liabilities	9,666,024
Total liabilities	14,975,492
Deferred Inflows of Resources - Deferred pension cost reductions (Note 11)	142,695
Net Position	
Net investment in capital assets	7,949,314
Restricted:	
Debt service reserve	500,000
OPEB	466,849
Unrestricted	(447,101)
Total net position	**$ 8,469,062**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30, 2023
Operating Revenue	
Municipal solid waste	$ 24,833,621
Compost material	19,070
Recyclable materials	2,192,531
Rental income	127,680
Miscellaneous	428,257
Total operating revenue	27,601,159
Operating Expenses	
Madison Heights transfer station	103,542
Household hazardous waste	602,427
Troy transfer station operation	4,557,681
Material recovery facility	3,095,536
Compost operation	645,348
Administrative and general	1,421,785
Collection contract expenses	15,570,474
Depreciation	985,302
Total operating expenses	26,982,095
Operating Income	619,064
Nonoperating Revenue (Expense)	
Investment income	87,486
Gain on disposal of assets	141,837
Interest expense	(177,948)
Total nonoperating revenue	51,375
Change in Net Position	670,439
Net Position - Beginning of year	7,798,623
Net Position - End of year	**$ 8,469,062**

Statement of Cash Flows

	Year Ended June 30, 2023
Cash Flows from Operating Activities	
Receipts from customers	$ 27,594,655
Payments from related parties	(471,135)
Payments to suppliers	(21,263,231)
Payments to employees and fringes	(3,633,806)
Net cash and cash equivalents provided by operating activities	2,226,483
Cash Flows from Capital and Related Financing Activities	
Proceeds from insurance claim	152,877
Purchase of capital assets	(1,571,838)
Principal and interest paid on capital debt	(128,263)
Net cash and cash equivalents used in capital and related financing activities	(1,547,224)
Cash Flows Provided by Investing Activities - Interest received on investments	87,486
Net Increase in Cash and Cash Equivalents	766,745
Cash and Cash Equivalents - Beginning of year	3,907,386
Cash and Cash Equivalents - End of year	**$ 4,674,131**
Classification of Cash and Cash Equivalents	
Cash and cash equivalents	$ 3,272,516
Restricted cash	962,141
Total cash and cash equivalents	**$ 4,234,657**
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	$ 619,064
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	985,302
Changes in assets and liabilities:	
Accounts receivable	(6,504)
Related party payable	23,509
Net OPEB liability and related deferred inflows and outflows	(167,345)
Net pension liability and related deferred inflows and outflows	71,840
Other assets	(101,367)
Accrued wages	10,441
Accounts payable	848,009
Other current liabilities	(3,612)
Deposits	2,550
Accrued landfill liabilities	(33,387)
Accrued compensated absences	(22,017)
Total adjustments	1,607,419
Net cash and cash equivalents provided by operating activities	**$ 2,226,483**

See notes to financial statements.

Statement of Fiduciary Net Position - Union Retiree Health Care Trust

June 30, 2023

	OPEB
Assets - Interest in pooled investments	$ 729,373
Net Position - Restricted for postemployment benefits other than pension	**$ 729,373**

Statement of Changes in Fiduciary Net Position - Union Retiree Health Care Trust

		Year Ended June 30, 2023
Additions - Investment income - Change in fair value of investments	$	51,199
Deductions		
Benefit payments		17,885
Administrative expenses		1,298
Other		635
Total deductions		19,818
Net Increase in Fiduciary Net Position		31,381
Net Position - Beginning of year		697,992
Net Position - End of year	**$**	**729,373**

See notes to financial statements.

Note 1 - Significant Accounting Policies

Reporting Entity

The Southeastern Oakland County Resource Recovery Authority (the "Authority") was created in 1953 as a Michigan public corporation under Act Number 179 of the Michigan Public Acts 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.

<u>Fiduciary Component Unit</u>

Although legally separate from the Authority, the Union Retiree Health Care Trust is reported as a fiduciary component unit because it is governed by the Authority's board of trustees and imposes a financial burden on the Authority.

Accounting and Reporting Principles

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

Report Presentation

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

Fund Accounting

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

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

Basis of Accounting

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

Specific Balances and Transactions

<u>Cash and Investments</u>

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.

<u>Other Assets</u>

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

Note 1 - Significant Accounting Policies (Continued)

Restricted Assets

Certain resources of the Authority are set aside for debt service, landfill 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 acquisition value at the date of donation.

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

	Depreciable Life - Years
Land improvements	5 to 10
Rental properties	5 to 30
Buildings	10 to 50
Equipment	5 to 25

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (expense) until then. The Authority reports deferred outflows related to deferred OPEB and pension costs, as detailed in Notes 10 and 11, respectively.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows related to deferred pension costs reductions, as detailed in Note 11.

Net Position Flow Assumption

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

Note 1 - Significant Accounting Policies (Continued)

Other Postemployment Benefit Costs

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

Compensated Absences (Vacation and Sick Leave)

It is the Authority's policy to permit employees to accumulate earned but 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 proprietary funds is charges to customers for services. Operating expenses for the Authority include the cost of services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Upcoming Accounting Pronouncements

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

Note 2 - Deposits and Investments

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

The Authority has designated 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 investments are in accordance with statutory authority.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had bank deposits of $1,460,127 (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.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools. At year end, the Authority held $1,400,481 in an investment pool with a weighted-average maturity of 1.18 years.

Credit Risk

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

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer, except for the Oakland County Local Government Investment Pool (the "LGIP"), for which there is a $2 million limit. More than 29 percent of the Authority's cash and investments are in the LGIP.

The Authority has also invested in the Morgan Stanley Institutional Liquidity Funds, which comprise approximately 10 percent of the Authority's cash and investments.

Note 2 - Deposits and Investments (Continued)

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the above fair value hierarchy.

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

At June 30, 2023, the Authority has $500,000 of pooled fixed-income investments valued using quoted market prices (Level 1 inputs).

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.

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

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Oakland County Local Government Investment Pool	$ 1,400,481	$ -	No restrictions	None
MERS Total Market Portfolio	729,373	-	No Restrictions	None

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

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

Note 3 - Capital Assets

Capital asset activity of the Authority was as follows:

	Balance July 1, 2022	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2023
Capital assets not being depreciated:					
Land	$ 1,354,022	$ -	$ -	$ -	$ 1,354,022
Construction in progress	774,850	(1,188,629)	503,475	-	89,696
Subtotal	2,128,872	(1,188,629)	503,475	-	1,443,718
Capital assets being depreciated:					
Buildings and improvements	16,625,310	484,782	-	-	17,110,092
Machinery and equipment	7,268,258	703,847	1,068,363	(832,536)	8,207,932
Rental properties	938,564	-	-	-	938,564
Land improvements	3,757,071	-	-	-	3,757,071
Subtotal	28,589,203	1,188,629	1,068,363	(832,536)	30,013,659
Accumulated depreciation	16,129,605	-	985,302	(821,496)	16,293,411
Net capital assets being depreciated	12,459,598	1,188,629	83,061	(11,040)	13,720,248
Net business-type activities capital assets	$ 14,588,470	$ -	$ 586,536	$ (11,040)	$ 15,163,966

Note 4 - Restricted Assets

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

At June 30, 2023, restricted assets are composed of the following:

Landfill postclosure	$ 362,141
Landfill end use	100,000
Debt service reserve	500,000
Total	$ 962,141

Note 5 - Long-term Debt

Long-term debt activity for the year ended June 30, 2023 can be summarized as follows:

	Interest Rate Ranges	Year of Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements -:							
Huntington loan 2019 - Amount of issue - $306,200	3.6%	2026	$ 176,303	$ -	$ (43,639)	$ 132,664	$ 41,644
Huntington loan 2023 - Amount of issue - $700,000	5.5%	2028	-	700,000	(52,397)	647,603	129,044
Caterpillar loan 2023 - Amount of issue - $296,595	4.99%	2028	-	296,595	(65,232)	231,363	53,687
Total direct borrowings and direct placements principal outstanding			176,303	996,595	(161,268)	1,011,630	224,375
Other debt:							
2016 revenue bonds, Series A - Amount of issue - $2,595,000	3.0% - 4.0%	2028	6,850,000	-	(1,120,000)	5,730,000	585,000
Unamortized bond premium on Series B bonds			578,138	-	(105,116)	473,022	-
Total bonds and contracts payable			7,604,441	996,595	(1,386,384)	7,214,652	809,375
Compensated absences			188,087	46,627	(68,644)	166,070	71,492
Total business-type activities long-term debt			$ 7,792,528	$ 1,043,222	$(1,455,028)	$ 7,380,722	$ 880,867

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 $177,948 for interest expense during the year.

Revenue Bonds

The Authority has pledged the net revenue of the Authority, pursuant to certain contracts, to repay the above recycling revenue bonds. Proceeds from the bonds provided financing for the improvement of the existing recycling facilities and the acquisition of over 100,000 new recycling containers. The bonds are payable from the net revenue of the Authority. The remaining principal and interest to be paid on the bonds are $6,992,800. During the current year, net revenue of the system was $1,691,852, compared to annual debt requirements of $1,372,100.

Note 5 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		
Years Ending June 30	Principal	Interest	Principal	Interest	Total
2024	$ 224,375	$ 45,208	$ 585,000	$ 240,600	$ 1,095,183
2025	239,035	34,266	1,230,000	193,700	1,697,001
2026	245,508	22,793	1,310,000	143,700	1,722,001
2027	212,012	11,738	1,390,000	90,500	1,704,250
2028	90,700	1,522	1,215,000	24,300	1,331,522
Total	$ 1,011,630	$ 115,527	$ 5,730,000	$ 692,800	$ 7,549,957

Assets Pledged as Collateral

Direct Borrowings and Direct Placements

The Authority's outstanding notes from direct borrowings related to the Huntington loan of $306,200 are secured with collateral of a 2019 McCloskey tracked trommel screen. In addition to the trommel screen, the Authority also has a Huntington loan of $700,000 secured with collateral of a 2023 Bandit horizontal grinder and a Caterpillar loan of $296,595 secured with a 2022 CAT 950M loader.

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 League Workers' Compensation Fund provide that the pools will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of limitations imposed by the pool. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 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 owing SOCWA $454,644 for the year ended June 30, 2023. 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, 2023, the amount of payables due to SOCWA was $57,620.

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 no expenses for the year ended June 30, 2023 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, Michigan v. the Authority

The City of Rochester Hills, Michigan 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 the City of Rochester Hills, Michigan and the Authority have agreed on an end use to the landfill property. On December 3, 2008, the Authority received a court order allowing the release of $90,000 from the escrow account. Under the terms of the court order, the Authority 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, 2023 is $100,000, which complies with the 2008 court order.
2. The Authority will continue to maintain a postclosure cash account. The balance in this account as of June 30, 2023 is $362,141.

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

City of Madison Heights, Michigan v. the Authority

This case involves the City of Madison Heights, Michigan's 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, Michigan. 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, Michigan 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, Michigan in the Authority. The Authority and the City of Madison Heights, Michigan have also resolved several property issues following the City of Madison Heights, Michigan's preparation of the required easements and property descriptions.

Note 9 - Closure and Postclosure Care Costs

State and federal laws and regulations required the Authority to place a final cover on its Rochester Hills landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The postclosure period started on December 10, 2005.

Note 9 - Closure and Postclosure Care Costs (Continued)

A liability for landfill closure and postclosure care in the amount of $794,011 is reported at June 30, 2023. This amount represents 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, 2023, less amounts expended toward the liability. For the year ended June 30, 2023, $109,897 was actually expended in postclosure costs. In the current year, there was a decrease of $33,387 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, 2023. Actual cost may be higher because of inflation, changes in technology, or changes in regulations.

Note 10 - Other Postemployment Benefit Plan

Plan Description

The Authority provides OPEB to eligible union and salaried employees and their beneficiaries. There are separate plans for union and salaried employees. The Authority and SOCWA are joint participants in the salaried plan that operates under SOCWA's name. The amounts disclosed represent the Authority's share of the plan, which is estimated to be 49.0 percent of the salaried plan. Both plans are administered by the Municipal Employees' Retirement System of Michigan Health Funding Vehicle.

Benefits Provided

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

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Union Plan	Salaried Plan
Date of member count	June 30, 2023	June 30, 2023
Inactive plan members or beneficiaries currently receiving benefits	12	8
Active plan members	6	2
Total plan members	18	10

Contributions

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

Note 10 - Other Postemployment Benefit Plan (Continued)

Net OPEB Asset

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

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

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

	Increase (Decrease)		
Changes in Net OPEB Asset	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balance at June 30, 2022	$ 590,622	$ 697,992	$ (107,370)
Changes for the year:			
Service cost	3,724	-	3,724
Interest	40,989	-	40,989
Differences between expected and actual experience	(171,044)	-	(171,044)
Changes in assumptions	5,821	-	5,821
Net investment income	-	51,199	(51,199)
Benefit payments, including refunds	(17,885)	(17,885)	-
Administrative expenses	-	(1,298)	1,298
Miscellaneous other charges	-	(635)	635
Net changes	(138,395)	31,381	(169,776)
Balance at June 30, 2023	$ 452,227	$ 729,373	$ (277,146)

The plan's fiduciary net position represents 161.3 percent of the total OPEB asset.

At June 30, 2023, the Authority reported an asset of $150,841 for its proportionate share of the salaried net OPEB asset. The Authority's proportion of the net OPEB asset was based on the Authority's actuarially required contribution for the year ended June 30, 2023 relative to other contributing employers. At June 30, 2023, the Authority’s proportion was 49.0 percent. The Authority's proportionate share of the liability was 49.0 percent as of June 30, 2022.

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

For the year ended June 30, 2023, the Authority recognized OPEB recovery of $167,342 from all plans.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ 38,862	$ -

Note 10 - Other Postemployment Benefit Plan (Continued)

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

Years Ending June 30	Amount
2024	$ 6,758
2025	(1,559)
2026	34,386
2027	(723)
Total	$ 38,862

Actuarial Assumptions

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

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

Active plan members were assumed to retire at age 60 for the salaried plan, age 55 for the union plan, or at the first subsequent year in which the member would qualify for benefits.

Marital Status and Dependency Status

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

Mortality

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

Turnover

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

Health Care Cost Trend Rate

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

Health Insurance Premiums

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

Payroll Growth Rate

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

Investment Rate of Return

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

Note 10 - Other Postemployment Benefit Plan (Continued)

Discount Rate

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

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

Investment Rate of Return

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

<u>Union and Salaried Plans</u>

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

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

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

	1 Percentage Point Decrease (5.85%)	Current Discount Rate (6.85%)	1 Percentage Point Increase (7.85%)
Net OPEB asset of the union plan	$ (234,849)	$ (277,146)	$ (313,681)
Net OPEB asset of the salaried plan	(136,104)	(150,841)	(163,740)

Note 10 - Other Postemployment Benefit Plan (Continued)

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

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

	1 Percentage Point Decrease (4.5%, Decreasing to 3.5%)	Current Health Care Cost Trend Rate (5.5%, Decreasing to 4.5%)	1 Percentage Point Increase (6.5%, Decreasing to 5.5%)
Net OPEB asset of the union plan	$ (313,962)	$ (277,146)	$ (234,904)
Net OPEB asset of the salaried plan	(163,358)	(150,841)	(136,802)

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on Union Retiree Health Care Trust investments, net of plan investment expense, was 7.47 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Assumption Changes

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

Note 11 - Pension Plans

Plan Description

The Authority has two plans that participate in the agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS of Michigan), which cover all union and 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, MI 48917.

The Authority provides a monthly retirement benefit to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the union and salaried defined benefit plans. The salaried plan is disclosed because salaried employees of the Authority and SOCWA are participants in the SOCWA plan, and the two authorities are considered joint participants. The amounts disclosed represent the Authority's share of salaried participants. The Authority's share of the total pension liability is estimated to be approximately 49.0 percent.

Benefits Provided

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

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

Note 11 - Pension Plans (Continued)

Retirement benefits for union 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 defined 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 for union employees is 60, with early retirement at 55 with 25 years of service. A reduced early retirement benefit is available at 50 with 25 years of service and at 55 with 15 years of service. The retirement allowance is reduced by 0.5 percent for each complete month that the retirement date precedes 60. There is no early retirement option for nonsupervisory employees hired after July 1, 2010. The vesting period is 10 years for employees hired prior to July 1, 2010 and 6 years for employees who are participating in the hybrid plan.

Retirement benefits for salaried 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 for salaried employees 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 6 years for employees who 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 trustees, generally after negotiations of these terms with the affected unions, if applicable.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Union Plan	Salaried Plan
Date of member count	December 31, 2022	December 31, 2022
Inactive plan members or beneficiaries currently receiving benefits	27	11
Inactive plan members entitled to but not yet receiving benefits	6	-
Active plan members	18	5
Total employees covered by the plan	51	16

The number of members shown for the salaried plan excludes SOCWA union participants in the same plan.

Note 11 - Pension Plans (Continued)

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 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, 2023, the average active employee contribution rate for the union plan was 2.5 percent of annual pay for supervisory and nonsupervisory 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 28.78 percent of annual pay for supervisory employees, $9,394 per month for nonsupervisory employees, and 4.32 percent for employees participating in the hybrid plan. Total contributions for the year were $386,339.

For the year ended June 30, 2023, the average active employee contribution rate for the salaried plan was 6.0 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 $685 per month for salaried employees and 10.77 percent for employees participating in the hybrid plan. The Authority's share of contribution for the year was $39,120.

Net Pension Liability (Asset)

The net pension liability (asset) reported at June 30, 2023 was determined using a measure of the total pension liability and the pension net position as of December 31, 2022. The December 31, 2022 total pension liability was determined by an actuarial valuation performed as of that date.

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

<u>Union Plan</u>

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2021	$ 6,182,904	$ 5,124,103	$ 1,058,801
Changes for the year:			
Service cost	70,929	-	70,929
Interest	436,973	-	436,973
Differences between expected and actual experience	234,232	-	234,232
Contributions - Employer	-	414,198	(414,198)
Contributions - Employee	-	14,092	(14,092)
Net investment loss	-	(561,193)	561,193
Benefit payments, including refunds	(382,300)	(382,300)	-
Administrative expenses	-	(9,338)	9,338
Net changes	359,834	(524,541)	884,375
Balance at December 31, 2022	$ 6,542,738	$ 4,599,562	$ 1,943,176

Note 11 - Pension Plans (Continued)

Salaried Plan

At June 30, 2023, the Authority reported a liability of $509,146 for its proportionate share of the salaried net pension liability, which was estimated to be 49.0 percent of the total, which is measured as of December 31, 2022. The Authority's proportionate share of the liability was 49.0 percent as of June 30, 2022.

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

For the year ended June 30, 2023, the Authority recognized pension expense of $497,367 from all plans.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 189,510	$ (142,695)
Changes in assumptions	196,248	-
Net difference between projected and actual earnings on pension plan investments	928,866	-
Employer contributions to the plan subsequent to the measurement date	113,844	-
Total	$ 1,428,468	$ (142,695)

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

Years Ending June 30	Amount
2024	$ 158,572
2025	283,278
2026	338,515
2027	391,564
Total	$ 1,171,929

Actuarial Assumptions

The total pension liability in each actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	Union Plan	Salaried Plan
Inflation	2.50%	2.50%
Salary increases (including inflation)	3.00%	3.00%
Investment rate of return (gross of pension plan investment expense, including inflation)	7.25%	7.25%

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

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

Note 11 - Pension Plans (Continued)

Discount Rate

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

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

	Union Plan	Salaried Plan
Assumed investment rate of return	7.25%	7.25%
Are contributions expected to be sufficient to allow fiduciary net position to pay future benefits?	Yes	Yes
Discount rate used to measure total pension liability	7.25%	7.25%

Investment Rate of Return

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

<u>Union and Salaried Plans</u>

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

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

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

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability of the union plan	$ 2,707,775	$ 1,943,176	$ 1,298,647
Net pension liability of the salaried plan	999,435	509,146	85,279

Note 11 - Pension Plans (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the plans' fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plans' fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plans. The plans use 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.

Required Supplementary Information

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

Last Nine Plan Years
Plan Years Ended December 31

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	$ 70,929	$ 62,368	$ 72,703	$ 78,864	$ 80,542	$ 74,160	$ 78,325	$ 82,868	$ 80,047
Interest	436,973	434,716	456,091	459,968	444,839	437,526	426,725	428,156	419,489
Differences between expected and actual experience	234,232	(26,363)	(518,056)	(10,819)	101,469	(10,907)	20,669	(201,235)	-
Changes in assumptions	-	225,491	127,929	162,271	-	-	-	223,060	-
Benefit payments, including refunds	(382,300)	(404,137)	(425,385)	(445,780)	(428,056)	(397,050)	(380,202)	(392,361)	(399,419)
Net Change in Total Pension Liability	359,834	292,075	(286,718)	244,504	198,794	103,729	145,517	140,488	100,117
Total Pension Liability - Beginning of year	6,182,904	5,890,829	6,177,547	5,933,043	5,734,249	5,630,520	5,485,003	5,344,515	5,244,398
Total Pension Liability - End of year	**$ 6,542,738**	**$ 6,182,904**	**$ 5,890,829**	**$ 6,177,547**	**$ 5,933,043**	**$ 5,734,249**	**$ 5,630,520**	**$ 5,485,003**	**$ 5,344,515**
Plan Fiduciary Net Position									
Contributions - Employer	$ 414,198	$ 421,780	$ 407,551	$ 221,564	$ 410,129	$ 378,778	$ 165,711	$ 165,865	$ 149,837
Contributions - Employee	14,092	14,395	14,078	14,977	17,804	18,370	21,342	18,919	20,705
Net investment income (loss)	(561,193)	599,916	542,832	491,377	(144,535)	441,423	360,509	(50,323)	220,253
Administrative expenses	(9,338)	(7,106)	(7,840)	(8,460)	(7,305)	(6,997)	(7,127)	(7,501)	(9,918)
Benefit payments, including refunds	(382,300)	(404,137)	(425,385)	(445,780)	(428,056)	(397,050)	(380,202)	(392,361)	(399,419)
Net Change in Plan Fiduciary Net Position	(524,541)	624,848	531,236	273,678	(151,963)	434,524	160,233	(265,401)	(18,542)
Plan Fiduciary Net Position - Beginning of year	5,124,103	4,499,255	3,968,019	3,694,341	3,846,304	3,411,780	3,251,547	3,516,948	3,535,490
Plan Fiduciary Net Position - End of year	**$ 4,599,562**	**$ 5,124,103**	**$ 4,499,255**	**$ 3,968,019**	**$ 3,694,341**	**$ 3,846,304**	**$ 3,411,780**	**$ 3,251,547**	**$ 3,516,948**
Authority's Net Pension Liability - Ending	**$ 1,943,176**	**$ 1,058,801**	**$ 1,391,574**	**$ 2,209,528**	**$ 2,238,702**	**$ 1,887,945**	**$ 2,218,740**	**$ 2,233,456**	**$ 1,827,567**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	70.30 %	82.88 %	76.38 %	64.23 %	62.27 %	67.08 %	60.59 %	59.28 %	65.80 %
Covered Payroll	$ 1,098,901	$ 1,057,065	$ 1,145,190	$ 1,205,364	$ 1,154,608	$ 965,419	$ 1,017,901	$ 1,070,624	$ 1,003,517
Authority's Net Pension Liability as a Percentage of Covered Payroll	176.83 %	100.16 %	121.51 %	183.31 %	193.89 %	195.56 %	217.97 %	208.61 %	182.12 %

Required Supplemental Information
Schedule of Pension Contributions
Union

Last Ten Fiscal Years

Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 191,339	$ 244,743	$ 212,107	$ 211,885	$ 225,407	$ 193,398	$ 173,006	$ 165,232	$ 161,998	$ 135,955
Contributions in relation to the actuarially determined contribution	386,339	439,743	407,107	211,885	425,407	393,398	173,006	165,232	161,998	135,955
Contribution Excess	**$ 195,000**	**$ 195,000**	**$ 195,000**	**$ -**	**$ 200,000**	**$ 200,000**	**$ -**	**$ -**	**$ -**	**$ -**
Covered Payroll	$ 1,098,901	$ 1,057,065	$ 1,145,190	$ 1,205,364	$ 1,154,608	$ 965,419	$ 1,017,901	$ 1,070,624	$ 1,003,517	$ 850,431
Contributions as a Percentage of Covered Payroll	35.16 %	41.60 %	35.55 %	17.58 %	36.84 %	40.75 %	17.00 %	15.43 %	16.14 %	15.99 %

Notes to Schedule of Pension Contributions - Union

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

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

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

Last Nine Plan Years

Plan Years Ended December 31

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension (asset) liability	49.00000 %	49.00000 %	46.70000 %	46.50000 %	35.10000 %	38.00000 %	33.00000 %	33.00000 %	33.00000 %
Authority's proportionate share of the net pension (asset) liability	$ 509,146	$ (490,089)	$ (255,978)	$ 124,381	$ 352,398	$ 310,739	$ 670,977	$ 913,502	$ 725,468
Authority's covered payroll	$ 600,339	$ 557,364	$ 526,605	$ 499,211	$ 336,586	$ 386,936	$ 324,380	$ 355,325	$ 367,048
Authority's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	84.81 %	(87.93)%	(48.61)%	24.92 %	104.70 %	80.31 %	206.85 %	257.09 %	197.65 %
Plan fiduciary net position as a percentage of total pension liability	90.30 %	109.46 %	105.45 %	97.36 %	89.72 %	91.50 %	78.90 %	70.20 %	74.70 %

Required Supplemental Information
Schedule of Pension Contributions
Salaried

Last Ten Fiscal Years

Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 39,190	$ 44,893	$ 47,636	$ 55,660	$ 62,410	$ 82,446	$ 64,069	$ 70,297	$ 82,282	$ 76,867
Contributions in relation to the actuarially determined contribution	39,190	44,893	47,636	270,258	262,410	290,000	263,171	266,112	236,155	233,393
Contribution Excess	**$ -**	**$ -**	**$ -**	**$ 214,598**	**$ 200,000**	**$ 207,554**	**$ 199,102**	**$ 195,815**	**$ 153,873**	**$ 156,526**
Covered Payroll	$ 600,339	$ 557,365	$ 526,605	$ 499,211	$ 336,586	$ 386,936	$ 324,380	$ 355,325	$ 367,048	$ 385,513
Contributions as a Percentage of Covered Payroll	6.53 %	8.05 %	9.05 %	54.14 %	77.96 %	74.95 %	81.13 %	74.89 %	64.34 %	60.54 %

Notes to Schedule of Pension Contributions - Salaried

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 end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	18 years
Asset valuation method	10-year smoothed market
Inflation	2.5 percent
Salary increase	3.0 percent, including inflation
Investment rate of return	7.6 percent
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	MP-2019 applied fully generationally from the Pub-2010 base year of 2010
Other information	Because salaried employees of the Authority and SOCWA are participants in the SOCWA plan, the two authorities are considered joint participants. The amounts disclosed above represent the Authority's share of the plan's total activity. The Authority's share is estimated to be approximately 49.0 percent.

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

Last Six Fiscal Years

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	$ 3,724	$ 3,709	$ 5,527	$ 5,373	$ 6,171	$ 6,361
Interest	40,989	41,902	53,550	51,810	42,477	41,264
Differences between expected and actual experience	(171,044)	(37,813)	(203,847)	144,814	(2,851)	2,459
Changes in assumptions	5,821	-	-	-	-	-
Benefit payments, including refunds	(17,885)	(23,725)	(16,028)	(26,475)	(31,958)	(33,365)
Miscellaneous other charges	-	-	-	(41,722)	-	-
Net Change in Total OPEB Liability	(138,395)	(15,927)	(160,798)	133,800	13,839	16,719
Total OPEB Liability - Beginning of year	590,622	606,549	767,347	633,547	619,708	602,989
Total OPEB Liability - End of year	**$ 452,227**	**$ 590,622**	**$ 606,549**	**$ 767,347**	**$ 633,547**	**$ 619,708**
Plan Fiduciary Net Position						
Contributions - Employer	$ -	$ 18,299	$ 36,028	$ 46,475	$ 41,958	$ 48,365
Net investment (loss) income	51,199	(62,784)	166,335	12,516	15,264	36,220
Administrative expenses	(1,298)	(1,376)	(1,226)	(1,022)	-	-
Benefit payments, including refunds	(17,885)	(23,725)	(16,028)	(26,475)	(31,958)	(33,365)
Other	(635)	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	31,381	(69,586)	185,109	31,494	25,264	51,220
Plan Fiduciary Net Position - Beginning of year	697,992	767,578	582,469	550,975	525,711	474,491
Plan Fiduciary Net Position - End of year	**$ 729,373**	**$ 697,992**	**$ 767,578**	**$ 582,469**	**$ 550,975**	**$ 525,711**
Net OPEB (Asset) Liability - Ending	**$ (277,146)**	**$ (107,370)**	**$ (161,029)**	**$ 184,878**	**$ 82,572**	**$ 93,997**
Plan Fiduciary Net Position as a Percentage of Total OPEB (Asset) Liability	161.28 %	118.18 %	126.55 %	75.91 %	86.97 %	84.83 %
Covered-employee Payroll	$ 259,087	$ 257,087	$ 227,491	$ 213,296	$ 260,952	$ 260,770
Net OPEB (Asset) Liability as a Percentage of Covered-employee Payroll	(106.97)%	(41.76)%	(70.78)%	86.68 %	31.64 %	36.05 %

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

Required Supplemental Information
Schedule of OPEB Contributions
Union

Last Ten Fiscal Years

Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ -	$ -	$ -	$ 24,747	$ 28,537	$ 28,727	$ 24,647	$ 37,487	$ 39,764	$ 51,220
Contributions in relation to the actuarially determined contribution	-	18,299	36,028	46,475	41,958	48,365	47,486	42,842	57,051	46,805
Contribution Excess (Deficiency)	**$ -**	**$ 18,299**	**$ 36,028**	**$ 21,728**	**$ 13,421**	**$ 19,638**	**$ 22,839**	**$ 5,355**	**$ 17,287**	**$ (4,415)**

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	The contribution amounts for the year ended June 30, 2023 were based on the June 30, 2023 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	19 years
Asset valuation method	Market value
Inflation	3.0 percent
Health care cost trend rates	Initial trend of 5.5 percent gradually decreasing to 4.5 percent in year 5
Salary increase	3.25 percent
Investment rate of return	6.85 percent, net of OPEB plan investment expense
Retirement age	60, average
Mortality	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years

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

Last Six Fiscal Years

Years Ended June 30

	2023	2022	2021	2020	2019	2018
Authority's proportion of the net OPEB (asset) liability	49.00000 %	49.00000 %	50.00000 %	47.90000 %	45.70000 %	44.00000 %
Authority's proportionate share of the net OPEB (asset) liability	$ (150,841)	$ (136,589)	$ (138,445)	$ (92,576)	$ (4,140)	$ 7,209
Plan fiduciary net position as a percentage of total OPEB liability	185.98 %	175.03 %	156.49 %	143.61 %	101.40 %	97.51 %

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

Required Supplemental Information
Schedule of OPEB Contributions
Salaried

Last Ten Fiscal Years

Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ 2,465	$ 2,373	$ 11,917	$ 18,162	$ 18,956	$ 22,455
Contributions in relation to the actuarially determined contribution	-	-	-	6,018	24,857	26,660	27,623	23,169	20,841	30,924
Contribution Excess	**$ -**	**$ -**	**$ -**	**$ (6,018)**	**$ (22,392)**	**$ (24,287)**	**$ (15,706)**	**$ (5,007)**	**$ (1,885)**	**$ (8,469)**

Southeastern Oakland County Resource Recovery Authority

Required Supplemental Information
Schedule of OPEB Investment Returns - Union

Last Six Fiscal Years

Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	7.47 %	(8.19)%	28.19 %	2.36 %	2.97 %	7.78 %	-

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

Other Supplementary Information

Other Supplementary Information
Schedule of Budget Analysis

Year Ended June 30, 2023

	Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)
Revenue			
Municipal refuse:			
Members	$ 22,672,195	$ 23,051,325	$ 379,130
Others	1,615,000	1,782,296	167,296
Total municipal refuse	24,287,195	24,833,621	546,426
Compost material - Others	30,000	19,070	(10,930)
Recyclable materials:			
Cardboard	821,000	591,825	(229,175)
Plastics	240,000	277,916	37,916
Scrap metal	109,000	101,349	(7,651)
Paper	583,000	285,559	(297,441)
Batteries	5,000	1,726	(3,274)
Tin cans	129,000	105,040	(23,960)
Nonferrous metal	130,000	192,628	62,628
Other	615,000	636,488	21,488
Total recyclable materials	2,632,000	2,192,531	(439,469)
Other income:			
Compost	160,000	140,529	(19,471)
Interest on investments	30,000	87,486	57,486
Rental income	125,000	127,680	2,680
Gain on disposal of assets	-	141,837	141,837
Miscellaneous income	25,000	287,728	262,728
Total other income	340,000	785,260	445,260
Total revenue	27,289,195	27,830,482	541,287
Operating Expenses			
Madison Heights transfer station	176,000	103,542	72,458
Household hazardous waste	508,000	602,427	(94,427)
Troy transfer station operation	4,399,400	4,557,681	(158,281)
Material recovery facility	2,303,000	3,095,536	(792,536)
Compost operation	626,000	645,348	(19,348)
Administrative and general	1,426,600	1,421,785	4,815
Collection contract operations	15,100,000	15,570,474	(470,474)
Total operating expenses excluding depreciation	24,539,000	25,996,793	(1,457,793)
Funds Available for Transfer	**$ 2,750,195**	**$ 1,833,689**	**$ (916,506)**

Other Supplementary Information
Schedule of Budget Operating Expenses Analysis

Year Ended June 30, 2023

	Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)
Madison Heights Transfer Station			
Labor and supervision	$ -	$ 62,826	$ (62,826)
Maintenance of equipment	10,000	2,445	7,555
Maintenance of building	10,000	4,762	5,238
Maintenance of property and grounds	15,000	3,537	11,463
Hauling	110,000	-	110,000
Supplies	5,000	618	4,382
Utilities	25,000	29,354	(4,354)
Miscellaneous	1,000	-	1,000
Total Madison Heights transfer station	176,000	103,542	72,458
Battery Recycling/Household Special Waste			
Labor and supervision	46,000	44,915	1,085
Household waste transfer hauling	362,000	482,970	(120,970)
Disposal of electrical equipment	100,000	74,542	25,458
Disposal of batteries	-	-	-
Total battery recycling/household special waste	508,000	602,427	(94,427)
Troy Transfer Station			
Labor and supervision	460,000	441,910	18,090
Maintenance of equipment	98,400	301,967	(203,567)
Maintenance of building	10,000	21,354	(11,354)
Maintenance of property and grounds	24,000	77,343	(53,343)
Hauling	65,000	235,494	(170,494)
Supplies	135,000	7,082	127,918
Utilities	40,000	51,823	(11,823)
Contractual municipal solid waste	3,567,000	3,416,139	150,861
Miscellaneous	-	4,569	(4,569)
Total Troy transfer station	4,399,400	4,557,681	(158,281)
Material Recovery Facility			
Labor and supervision	1,640,000	1,963,674	(323,674)
Maintenance of equipment	150,000	400,162	(250,162)
Maintenance of building	15,000	24,035	(9,035)
Maintenance of property and grounds	2,000	116,812	(114,812)
Supplies	120,000	20,278	99,722
Rejected recycling materials	86,000	125,070	(39,070)
Utilities	90,000	147,288	(57,288)
Miscellaneous	200,000	298,217	(98,217)
Total material recovery facility	2,303,000	3,095,536	(792,536)

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

Year Ended June 30, 2023

	Budget (Unaudited)	Actual	Variance Favorable (Unfavorable)
Landfill Compost Operation			
Labor and supervision	$ 203,000	$ 198,310	$ 4,690
Maintenance of equipment	160,000	156,299	3,701
Maintenance of building	9,000	2,449	6,551
Maintenance of property and grounds	50,000	48,404	1,596
Delivery of compost	40,000	43,373	(3,373)
Supplies	55,000	3,120	51,880
Utilities	9,000	8,283	717
Disposal	95,000	87,794	7,206
Closure and postclosure care	5,000	95,710	(90,710)
Miscellaneous	-	1,606	(1,606)
Total landfill compost operation	626,000	645,348	(19,348)
Administrative and General			
Salaries	320,000	292,000	28,000
Administrative and office	20,000	33,375	(13,375)
Office space rental	40,000	40,000	-
Personnel improvement	5,000	33,717	(28,717)
Travel and conference	10,000	1,636	8,364
Recycling education	20,000	18,119	1,881
Consulting	50,000	65,734	(15,734)
Legal	35,000	25,023	9,977
Audit	20,000	21,890	(1,890)
Social Security	145,000	107,239	37,761
Postemployment health care	-	-	-
Retirement plan	239,000	512,061	(273,061)
Insurance:			
General	94,000	70,019	23,981
Group	296,000	54,252	241,748
Workers' compensation	20,000	22,303	(2,303)
Life	9,600	8,193	1,407
Service fee - Madison Heights	18,000	21,794	(3,794)
Property taxes	30,000	30,431	(431)
Rental properties	25,000	28,543	(3,543)
Miscellaneous recycling	20,000	14,587	5,413
Miscellaneous	10,000	20,869	(10,869)
Total administrative and general	1,426,600	1,421,785	4,815
Collection Contract Operations	15,100,000	15,570,474	(470,474)
Total operating expenses, excluding depreciation	$ 24,539,000	$ 25,996,793	$ (1,457,793)

Other Supplementary Information

Schedule of Accounts Receivable and Analysis of Charges

Year Ended June 30, 2023

	Accounts Receivable Balance July 1, 2022	Refuse Number of Tons	Compost Number of Tons	Recyclable Number of Tons	Total Number of Tons	Monthly Bills	Special Charge	Carts	Total Charges	Payments Applied to Charges	Accounts Receivable Balance June 30, 2023
Municipalities											
Berkley	$ 96,837	6,156	2,645	1,441	10,242	$ 1,197,744	$ 9,285	$ -	$ 1,207,029	$ 1,203,349	$ 100,517
Beverly Hills	35,451	3,605	1,646	1,123	6,374	833,820	150	111	834,081	800,047	69,485
Birmingham	79,395	9,185	4,560	2,314	16,059	1,868,268	2,032	-	1,870,300	1,867,150	82,545
Clawson	84,332	4,863	1,843	928	7,634	1,008,312	55,754	-	1,064,066	1,099,070	49,328
Ferndale	93,160	9,782	2,418	1,684	13,884	2,203,884	113,968	-	2,310,406	2,306,670	96,896
Hazel Park	60,510	6,688	1,321	885	8,894	1,429,992	2,318	2,005	1,434,315	1,375,543	119,282
Huntington Woods	18,164	2,133	1,303	797	4,233	441,204	4,367	-	445,571	426,968	36,767
Lathrup Village	15,849	1,677	902	290	2,869	369,792	4,140	-	373,932	358,554	31,227
Oak Park	175,154	10,386	2,841	1,090	14,317	2,097,456	35,302	668	2,133,426	2,124,692	183,888
Pleasant Ridge	18,926	964	818	323	2,105	233,676	3,011	-	236,687	235,888	19,725
Royal Oak	226,228	22,294	12,427	4,975	39,696	5,528,904	16,744	-	5,543,274	5,534,398	238,991
Troy	445,772	27,043	10,355	5,670	43,068	5,459,136	138,545	557	5,598,238	5,543,622	500,388
Total municipaliti	1,349,778	104,776	43,079	21,520	169,375	22,672,188	385,616	3,341	23,051,325	22,875,951	1,529,039
Other Customers	676,576	45,285	23	8,305	53,613	5,577,760	-	-	5,577,760	5,750,517	503,819
Total	**$ 2,026,354**	**$ 150,061**	**$ 43,102**	**$ 29,825**	**$ 222,988**	**$ 28,249,948**	**$ 385,616**	**$ 3,341**	**$ 28,629,085**	**$ 28,626,468**	**$ 2,032,858**

Other Supplementary Information
Schedule of Working Capital Analysis

Year Ended June 30, 2023

	Year Ended June 30	
	2023	2022
Total current unrestricted assets	$ 5,565,825	$ 5,059,445
Less current unrestricted liabilities	5,309,468	4,217,149
Total working capital	**$ 256,357**	**$ 842,296**
Annual operating expenses before depreciation	**$ 25,996,793**	**$ 23,444,629**
Percentage of working capital to annual operating expenses	**0.99%**	**3.59%**