
Southeastern Oakland County Water Authority

**Financial Report
with Supplemental Information
June 30, 2020**

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Independent Auditor's Report

To the Board of Trustees
Southeastern Oakland County Water Authority

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Southeastern Oakland County Water Authority (the "Authority") as of and for the year ended June 30, 2020 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 the Southeastern Oakland County Water Authority as of June 30, 2020 and the changes in its financial position and its cash flows thereof 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 Water 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 required supplemental information, 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 Water Authority's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Plante & Moran, PLLC

October 30, 2020

Southeastern Oakland County Water Authority

Management's Discussion and Analysis

Our discussion and analysis of the Southeastern Oakland County Water Authority's (SOCWA or the "Authority") financial performance provides an overview of SOCWA's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

Water sales to member and non-member municipalities were under budget for the fiscal year ended June 30, 2020. Actual total water sales were \$25,490,380 compared to budgeted water sales of \$26,792,400. For the fiscal year, sales were \$1,302,020 or 4.9 percent less than budgeted. Total revenue was \$1,298,052 under budget. Operating expenses (excluding depreciation) were under budget by \$941,674. Revenue in excess of operating expenses was \$865,090, which was \$356,378 below the budgeted amount.

Overview of the Basic Financial Statements

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

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

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

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

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

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

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

Southeastern Oakland County Water Authority

Management's Discussion and Analysis (Continued)

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets and deferred outflows exceed liabilities and deferred inflows by \$21.1 million at the close of the most recent fiscal year.

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

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

	<u>2020</u>	<u>2019</u>
Assets		
Assets - Excluding capital assets	\$ 10,187,782	\$ 10,136,922
Capital assets - Net	<u>16,974,762</u>	<u>17,224,593</u>
Total assets	27,162,544	27,361,515
Deferred Outflows of Resources	239,702	526,590
Liabilities		
Current liabilities	6,055,969	6,164,659
Noncurrent liabilities	<u>226,165</u>	<u>817,226</u>
Total liabilities	6,282,134	6,981,885
Deferred Inflows of Resources	<u>8,861</u>	<u>19,432</u>
Net Position		
Net investment in capital assets	16,974,762	17,224,593
Unrestricted	<u>4,136,489</u>	<u>3,662,195</u>
Total net position	<u>\$ 21,111,251</u>	<u>\$ 20,886,788</u>

Operating activities increased the Authority's net position by \$142,372 accounting for 63 percent of the change in the Authority's net position for the current year. Nonoperating revenue accounted for an increase of \$82,091 in net position.

Southeastern Oakland County Water Authority

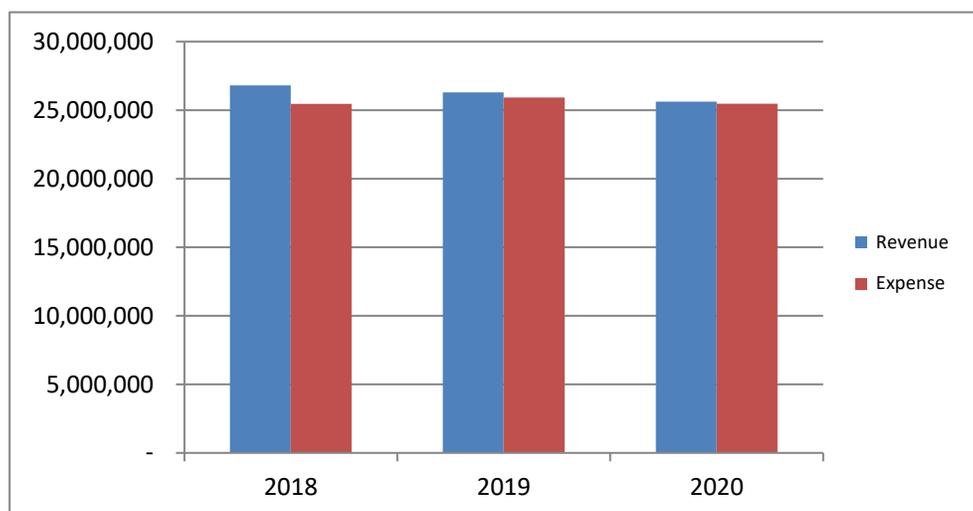
Management's Discussion and Analysis (Continued)

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

	2020	2019
Revenue		
Charge for services	\$ 25,490,380	\$ 26,141,364
Rental	122,928	122,696
Interest and other	88,040	155,086
Total revenue	25,701,348	26,419,146
Expenses		
Operating expenses	24,836,258	25,336,235
Depreciation and amortization	640,627	589,288
Total expenses	25,476,885	25,925,523
Change in Net Position	224,463	493,623
Net Position - Beginning of year	20,886,788	20,393,165
Net Position - End of year	\$ 21,111,251	\$ 20,886,788

Revenue from water sales for 2020 decreased by \$650,984 due to a 2.1 percent decrease in volume of water sold and a 1.0 percent decrease in the water sales rates. Revenue from all other sources was lower by \$66,814. Operating expenses decreased primarily due to lower water purchase expenses.

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



Southeastern Oakland County Water Authority

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

Capital Assets – The Authority's investment in capital assets for its activities as of June 30, 2020 amounted to \$16,974,762 (net of accumulated depreciation). This investment in capital assets includes land, buildings, pump stations, elevated tanks, reservoirs, equipment, and infrastructure. In the current fiscal year, the Authority's total investment in capital assets decreased by 1.45 percent.

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

- The expenses associated with the replacement of a 16" water main in 14 Mile from Greenfield to east of Coolidge, at a cost of \$375,000
- The final expenses for the lining of the 16" water main in Coolidge from 13 Mile to 14 Mile at a cost of \$66,000
- The purchase of new computer servers at a cost of \$34,000
- The purchase of a new large format printer and a new copier at a cost of \$17,000
- The replacement of a water meter at a cost of \$8,000
- The purchase of a new telephone system at a cost of \$7,000

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

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the 2020-2021 fiscal year:

- Employee wages were increased by 3.0 percent for salaried and union employees.
- The number of full-time salaried employees remained the same as the budgeted level of 2019-2020 while the number of union employees was increased by one from the 2019-20 budgeted level.
- Health insurance costs were increased by 5 percent for active employees and by 2 percent for retirees.
- Water sales were estimated as the two-year average for the 2018 and 2019 calendar years.
- Water rates to the member communities and nonmember customers included a 10 percent fixed charge, which will be collected on a monthly basis. Commodity rates were increased by \$0.46 (3.0 percent) per 1,000 cubic feet for the member communities and by \$0.82 (3.0 percent) per 1,000 cubic feet for the nonmember customers.
- Capital expenditures were estimated at \$1,275,000 and included \$1,000,000 for the painting and rehabilitation of the Webster elevated tank, \$100,000 for the replacement of the pressure reducing valve at 14 Mile and Lahser and at Gare Station, \$80,000 for the replacement of the roofs of the 14 Mile and Samoset pump stations, \$55,000 for vehicle replacements and \$40,000 for water meter replacements
- No incremental pension contributions were budgeted because the pension plans are close to being fully funded.
- The assets of the OPEB trusts will begin to be used to pay a portion of our retiree health care costs as both OPEB trusts are overfunded.

Request for Information

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

Southeastern Oakland County Water Authority

Statement of Net Position

June 30, 2020

Assets

Current assets:

Cash and cash equivalents (Note 2)	\$ 5,966,883
Accounts receivable	3,157,476
Other receivable - Related party (Note 5)	677,628
Other current assets	122,820

Total current assets 9,924,807

Noncurrent assets:

Net OPEB asset (Note 6)	262,975
Capital assets: (Note 3)	
Assets not subject to depreciation	1,198,670
Assets subject to depreciation - Net	15,776,092

Total noncurrent assets 17,237,737

Total assets 27,162,544

Deferred Outflows of Resources

Deferred pension costs (Note 7)	167,819
Deferred OPEB costs (Note 6)	71,883

Total deferred outflows of resources 239,702

Liabilities

Current liabilities:

Accounts payable	5,913,206
Other current liabilities	28,745
Accrued compensated absences (Note 1)	114,018

Total current liabilities 6,055,969

Noncurrent liabilities:

Accrued compensated absences (Note 1)	83,059
Net pension liability (Note 7)	143,106

Total noncurrent liabilities 226,165

Total liabilities 6,282,134

Deferred Inflows of Resources

Deferred pension cost reductions (Note 7)	6,861
Deferred OPEB cost reductions (Note 6)	2,000

Total deferred inflows of resources 8,861

Net Position

Net investment in capital assets	16,974,762
Unrestricted	4,136,489

Total net position \$ 21,111,251

Southeastern Oakland County Water Authority

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2020

Operating Revenue

Water charges - Member municipalities	\$ 16,485,795
Water charges - Nonmember municipalities	9,004,585
Rental income	122,928
Miscellaneous income	5,949
	<hr/>
Total operating revenue	25,619,257

Operating Expenses

Source of supply	23,089,967
Operating, maintenance, and administration	1,746,291
Depreciation	640,627
	<hr/>
Total operating expenses	25,476,885

Operating Income

142,372

Nonoperating Revenue - Investment income

82,091

Change in Net Position

224,463

Net Position - Beginning of year

20,886,788

Net Position - End of year

\$ 21,111,251

Southeastern Oakland County Water Authority

Statement of Cash Flows

Year Ended June 30, 2020

Cash Flows from Operating Activities	
Receipts from customers	\$ 24,665,545
Receipts from related parties	421,187
Payments to suppliers	(24,235,548)
Payments to employees and fringes	<u>(1,699,139)</u>
Net cash and cash equivalents used in operating activities	(847,955)
Cash Flows Used in Financing Activities - Purchase of capital assets	(515,299)
Cash Flows Provided by Investing Activities - Interest received on investments	<u>82,091</u>
Net Decrease in Cash and Cash Equivalents	(1,281,163)
Cash and Cash Equivalents - Beginning of year	<u>7,248,046</u>
Cash and Cash Equivalents - End of year	<u>\$ 5,966,883</u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 142,372
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	640,627
Changes in assets and liabilities:	
Accounts receivable	(953,712)
Related party receivable	(110,190)
Other assets	(10,063)
Net pension liability and related deferred outflows and inflows	(192,122)
Accounts payable	(10,622)
Net OPEB liability and related deferred outflows and inflows	(374,640)
Other accrued liabilities	15,699
Accrued compensated absences	<u>4,696</u>
Net cash and cash equivalents used in operating activities	<u>\$ (847,955)</u>

June 30, 2020

Note 1 - Significant Accounting Policies

Reporting Entity

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

The Authority has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 (as amended by Statement Nos. 39, 61, and 80) 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 (GASB).

Report Presentation

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

Fund Accounting

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

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 and Investments

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

Capital Assets

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

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the fiscal year.

Note 1 - Significant Accounting Policies (Continued)

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. The Authority reports deferred outflows related to deferred OPEB and pension costs, as detailed in Notes 6 and 7, 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 position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows related to deferred OPEB and pension costs reductions, as detailed in Notes 6 and 7, respectively.

Net Position Flow Assumption

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

Pension

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

Other Postemployment Benefit Costs

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

Note 1 - Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave)

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

As of June 30, 2020, there was \$197,077 of accrued compensated absences, of which \$114,018 was deemed a current liability. Activity during the current year consisted of \$103,282 of reductions to the liability and \$107,978 of additional earned accrued compensated absences.

Proprietary Funds Operating Classification

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

Use of Estimates

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

Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Authority's financial statements for the year ended June 30, 2020 but were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Authority's financial statements for the year ending June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Note 1 - Significant Accounting Policies (Continued)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the Authority's financial statements for the June 30, 2022 fiscal year.

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 not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$2,168,226 of bank deposits (certificates of deposit and checking and savings accounts) that was uninsured and uncollateralized. The Authority believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools. At year end, the Authority held \$361,855 in an investment pool with a weighted-average maturity of 1.38 years.

Note 2 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority's investment policy further limits credit risk by limiting investment to the safest type of securities; prequalifying the financial institution, brokers, dealers, intermediaries, and advisors with which the Authority will do business; and diversifying the investment portfolio so that potential losses on individual securities will be minimized. As of June 30, 2020, the Authority held no investments subject to credit risk.

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer, except for the Oakland County Local Government Investment Pool (the "LGIP"), for which there is a \$4 million limit. Approximately 6 percent of the Authority's investments are in the LGIP.

Fair Value Measurements

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

Investments in Entities that Calculate Net Asset Value per Share

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

At June 30, 2020, 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	\$ 361,855	\$ -	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.

Southeastern Oakland County Water Authority

Notes to Financial Statements

June 30, 2020

Note 3 - Capital Assets

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

	Balance July 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 1,195,908	\$ -	\$ -	\$ -	\$ 1,195,908
Construction in progress	68,196	(499,456)	434,022	-	2,762
Subtotal	1,264,104	(499,456)	434,022	-	1,198,670
Capital assets being depreciated:					
Pumping stations	3,753,068	-	-	-	3,753,068
Elevated tanks	1,910,813	-	-	-	1,910,813
Reservoirs	3,239,507	-	-	-	3,239,507
SCADA system	1,830,228	-	-	-	1,830,228
Transmission mains and accessories	20,321,389	491,821	23,356	(124,503)	20,712,063
Meters	994,519	7,635	-	-	1,002,154
Webster office	297,155	-	34,446	-	331,601
Equipment and other assets	1,710,280	-	23,475	-	1,733,755
Subtotal	34,056,959	499,456	81,277	(124,503)	34,513,189
Accumulated depreciation	18,096,470	-	640,627	-	18,737,097
Net capital assets being depreciated	15,960,489	499,456	(559,350)	(124,503)	15,776,092
Total	\$ 17,224,593	\$ -	\$ (125,328)	\$ (124,503)	\$ 16,974,762

Note 4 - Risk Management

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

Note 5 - Related Party Transactions

The Authority has developed a cost-sharing strategy for certain administrative salaries, operating expenses, and capital asset expenses with the Southeastern Oakland County Resource Recovery Authority (SOCRRA). The cost-sharing arrangements resulted in the Authority charging SOCRRA \$601,567 for the year ended June 30, 2020. In addition to these shared costs, the Authority charges and receives an annual office rental fee from SOCRRA in the amount of \$40,000. As of June 30, 2020, the amount of receivables due from SOCRRA was \$677,628.

Note 6 - Other Postemployment Benefit Plan

Plan Description

The Authority provides OPEB to eligible union and salaried employees and their beneficiaries. There are separate plans for union and salaried employees. SOCRRA and the Authority are joint participants in the salaried plan that operates under the Authority's name. The amounts disclosed represent the Authority's share of the plan, which is estimated to be approximately 52 percent of the nonunion plan. Both plans are administered by the Municipal Employees' Retirement System of Michigan Health Funding Vehicle.

Benefits Provided

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

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Union	Salaried
Date of member count	June 30, 2020	June 30, 2020
Inactive plan members or beneficiaries currently receiving benefits	8	10
Active plan members	8	2
Total plan members	<u>16</u>	<u>12</u>

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, 2020, the Authority made total contributions of \$57,221 and \$0 to the union and salaried plans, respectively. Union employees are not required to make contributions, but certain participants are required to pay copays. Since the salaried plan became effective on January 1, 2002, eligible employees have been required to contribute to the plan based on eligible payroll. The contribution percentage for the year ended June 30, 2020 was 5 percent.

Net OPEB Liability (Asset)

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

	Union	Salaried
Measurement date used for the Authority's net OPEB liability (asset)	June 30, 2020	June 30, 2020
Based on a comprehensive actuarial valuation as of	June 30, 2020	June 30, 2020

Note 6 - Other Postemployment Benefit Plan (Continued)

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

Changes in Net OPEB Liability (Asset)	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2019	\$ 974,549	\$ 898,007	\$ 76,542
Changes for the year:			
Service cost	5,548	-	5,548
Interest	49,920	-	49,920
Differences between expected and actual experience	(218,105)	-	(218,105)
Contributions - Employer	-	57,221	(57,221)
Net investment income	-	20,614	(20,614)
Benefit payments, including refunds	(27,221)	(27,221)	-
Administrative expenses	-	(1,648)	1,648
Net changes	(189,858)	48,966	(238,824)
Balance at June 30, 2020	<u>\$ 784,691</u>	<u>\$ 946,973</u>	<u>\$ (162,282)</u>

The plan's fiduciary net position represents 120.68 percent of the total OPEB liability.

At June 30, 2020, the Authority reported an asset of \$100,693 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, 2019 relative to other contributing employers. At June 30, 2020, the Authority's proportion was 52 percent. At June 30, 2019, the Authority's proportion was 54 percent.

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

For the year ended June 30, 2020, the Authority recognized negative OPEB expense of \$317,930 from all plans.

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 2,000
Net difference between projected and actual earnings on OPEB plan investments	71,883	-
Total	<u>\$ 71,883</u>	<u>\$ 2,000</u>

Note 6 - Other Postemployment Benefit Plan (Continued)

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

Years Ending June 30	Amount
2021	\$ 18,609
2022	18,928
2023	20,537
2024	11,809
Total	<u>\$ 69,883</u>

Actuarial Assumptions

The total OPEB liability was determined by utilizing the alternative measurement method as of June 30, 2020 using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

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

Marital Status and Dependency Status

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

Mortality

Mortality rates were based on the RP-2000 mortality table for males and females projected 18 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 8.3 percent initially, reduced to an ultimate rate of 4.5 percent after 10 years.

Health Insurance Premiums

Actual 2019 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 3.5 percent, including inflation.

Investment Rate of Return

The investment rate of return was assumed to be 7 percent, net of OPEB plan investment expense, including inflation.

Note 6 - Other Postemployment Benefit Plan (Continued)

Discount Rate

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

	Union	Salaried
Assumed investment rate of return	7.0%	7.0%
Are contributions expected to be sufficient to allow fiduciary net position to pay future benefits?	Yes	Yes
Discount rate used to measure total OPEB liability	7.0%	7.0%

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2020 measurement date for each major asset class included in the OPEB plans' target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Union and Salaried

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	6.15 %
Global fixed income	20.00	1.26
Private investments	20.00	6.56

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

The following presents the net OPEB asset of the Authority, calculated using the discount rate of 7.0 percent, as well as what the Authority's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percentage Point Increase (8.0%)
Net OPEB asset of the union plan	\$ (76,869)	\$ (162,282)	\$ (235,612)
Net OPEB asset of the salaried plan	(80,394)	(100,693)	(118,451)

Note 6 - Other Postemployment Benefit Plan (Continued)

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

The following presents the net OPEB asset of the Authority, calculated using the health care cost trend rate of 8.3 percent, gradually decreasing to 4.5 percent, as well as what the Authority's net OPEB (asset) liability 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 (7.3%, Decreasing to 3.5%)	Current Health Care Cost Trend Rate (8.3%, Decreasing to 4.5%)	1 Percentage Point Increase (9.3%, Decreasing to 5.5%)
Net OPEB asset of the union plan	\$ (240,179)	\$ (162,282)	\$ (71,961)
Net OPEB asset of the salaried plan	(118,786)	(100,693)	(80,352)

Note 7 - Pension Plan

Plan Description

Because salaried employees of the Authority and SOCRRA are participants in the Authority's plan, the two authorities are considered joint participants. The amounts disclosed represent only the Authority's share, which is estimated to be approximately 54 percent.

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

Benefits Provided

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

The MERS plan covers all full-time authority employees.

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

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 employees hired after July 1, 2011. The vesting period is 10 years for all employees hired before July 1, 2011 and 6 years for employees that are participating in the hybrid plan.

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

Note 7 - Pension Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2019
Inactive plan members or beneficiaries currently receiving benefits	25
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	17
Total employees covered by the plan	43

Contributions

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

For the year ended June 30, 2020, the average active employee contribution rate was 5.0 percent of annual pay for salaried employees, 2.5 percent of annual pay for union employees, and 0 percent for employees hired after July 1, 2011 who were participating in the hybrid plan; the Authority's average contribution rate was \$6,011 per month for salaried employees, \$3,571 per month for union employees, 4.70 percent of annual pay for salaried employees participating in the hybrid plan, and 4.70 percent of annual pay for union employees participating in the hybrid plan. The Authority's share of pension contributions made during the year was \$350,744.

Net Pension Liability

At June 30, 2020, the Authority reported a liability of \$143,106 for its proportionate share of the net pension liability, which was estimated to be 54 percent of the total. The net pension liability reported at June 30, 2020 was determined using a measure of the total pension liability and the pension net position as of December 31, 2019. The December 31, 2019 total pension liability was determined by an actuarial valuation as of that date.

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

For the year ended June 30, 2020, the Authority recognized pension expense of \$176,648.

At June 30, 2020, 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	\$ -	\$ 6,861
Changes in assumptions	95,509	-
Net difference between projected and actual earnings on pension plan investments	36,831	-
Changes in proportionate share, or difference between amount contributed and proportionate share of contributions	35,479	-
Total	\$ 167,819	\$ 6,861

Note 7 - Pension Plan (Continued)

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
2021	\$ 46,624
2022	67,181
2023	62,186
2024	(50,512)
Total	<u>\$ 125,479</u>

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using an inflation assumption of 2.50 percent, assumed salary increases (including inflation) of 3.0 percent, and an investment rate of return (gross of investment expenses) of 7.60 percent.

Mortality rates were based on the 2014 Healthy Annuitant, Employee, and Juvenile Mortality Tables. For disabled retirees, the 50 percent male - 50 percent female blend of the RP-2014 Disabled Retiree Mortality Table was used.

The actuarial assumptions used in the December 31, 2019 actuarial valuation date valuation were based on the results of an actuarial experience study for the period from January 1, 2009 through December 31, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 7.6 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Note 7 - Pension Plan (Continued)

Investment Rate of Return

Best estimates of arithmetic real rates of return as of the December 31, 2019 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	6.15 %
Global fixed income	20.00	1.26
Private equity	20.00	6.56

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 7.6 percent, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.6%)	Current Discount Rate (7.6%)	1 Percentage Point Increase (8.6%)
Net pension liability (asset) of the Authority	\$ 634,563	\$ 143,106	\$ (283,912)

Pension Plan Fiduciary Net Position

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

Assumption Changes

For the December 31, 2019 measurement date, the pension plan reduced the assumed rate of return from 8.00 percent to 7.60 percent and reduced the assumption for salary increases from 3.75 percent to 3.00 percent.

Required Supplemental Information

Southeastern Oakland County Water Authority

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

	Last Six Plan Years					
	Plan Years Ended December 31					
	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	53.50000 %	65.00000 %	62.00000 %	67.00000 %	67.00000 %	67.00000 %
Authority's proportionate share of the net pension liability	\$ 143,106	\$ 651,585	\$ 506,994	\$ 1,341,953	\$ 1,827,001	\$ 1,450,935
Authority's covered payroll	\$ 574,360	\$ 622,349	\$ 631,316	\$ 648,760	\$ 710,649	\$ 734,095
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	24.92 %	104.70 %	80.31 %	206.85 %	257.09 %	197.65 %
Plan fiduciary net position as a percentage of total pension liability	97.36 %	89.72 %	91.50 %	78.90 %	70.20 %	74.70 %

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

Southeastern Oakland County Water Authority

Required Supplemental Information Schedule of Pension Contributions Defined Benefit Pension Plan

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 102,916	\$ 115,437	\$ 134,517	\$ 128,137	\$ 140,595	\$ 164,564	\$ 153,733	\$ 104,551	\$ 90,115	\$ 138,320
Contributions in relation to the statutorily required contribution	357,898	626,993	685,278	648,615	414,360	472,309	466,787	417,497	90,115	138,320
Contribution Excess	\$ (254,982)	\$ (511,556)	\$ (550,761)	\$ (520,478)	\$ (273,765)	\$ (307,745)	\$ (313,054)	\$ (312,946)	\$ -	\$ -
Authority's Covered Payroll	\$ 574,360	\$ 622,349	\$ 631,316	\$ 648,760	\$ 710,649	\$ 734,095	\$ 771,027	\$ 709,510	\$ 722,206	\$ 840,129
Contributions as a Percentage of Covered Payroll	62.31 %	100.75 %	108.55 %	99.98 %	58.31 %	64.34 %	60.54 %	58.84 %	12.48 %	16.46 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Remaining amortization period	21 years
Asset valuation method	10-year smoothed market
Inflation	2.5 percent
Salary increase	3.75 percent, including inflation
Investment rate of return	8.00 percent
Retirement age	Experienced-based tables of rates that are specific to the type of eligibility condition
Mortality	50 percent male and 50 percent female blend of the RP-2014 Group Mortality Tables
Other information	None

Southeastern Oakland County Water Authority

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

	Last Three Fiscal Years		
	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 5,548	\$ 9,935	\$ 10,288
Interest	49,920	64,104	60,356
Differences between expected and actual experience	(218,105)	(1,738)	(3,053)
Benefit payments, including refunds	(27,221)	(17,115)	(10,638)
Net Change in Total OPEB Liability	(189,858)	55,186	56,953
Total OPEB Liability - Beginning of year	974,549	919,363	862,410
Total OPEB Liability - End of year	\$ 784,691	\$ 974,549	\$ 919,363
Plan Fiduciary Net Position			
Contributions - Employer	\$ 57,221	\$ 47,115	\$ 40,638
Net investment income	20,614	25,653	57,692
Administrative expenses	(1,648)	-	-
Benefit payments, including refunds	(27,221)	(17,115)	(10,638)
Net Change in Plan Fiduciary Net Position	48,966	55,653	87,692
Plan Fiduciary Net Position - Beginning of year	898,007	842,354	754,662
Plan Fiduciary Net Position - End of year	\$ 946,973	\$ 898,007	\$ 842,354
Net OPEB (Asset) Liability - Ending	\$ (162,282)	\$ 76,542	\$ 77,009
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	120.68 %	92.15 %	91.62 %
Covered-employee Payroll	\$ 474,843	\$ 628,766	\$ 604,286
Net OPEB (Asset) Liability as a Percentage of Covered-employee Payroll	(34.18)%	12.17 %	12.74 %

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

Southeastern Oakland County Water Authority

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

	Last Three Fiscal Years		
	Plan Years Ended June 30		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Authority's proportion of the net OPEB (asset) liability	52.10000 %	54.30000 %	56.00000 %
Authority's proportionate share of the net OPEB (asset) liability	\$ (100,693)	\$ (4,917)	\$ 9,065
Plan fiduciary net position as a percentage of total OPEB liability	143.61 %	101.40 %	97.51 %

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

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

Southeastern Oakland County Water Authority

Required Supplemental Information Schedule of OPEB Contributions Salaried

	Last Ten Fiscal Years Years Ended June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ -	\$ 2,929	\$ 3,021	\$ 10,833	\$ 17,749	\$ 18,525	\$ 23,986	\$ 22,986	\$ 33,920	\$ 25,364
Contributions in relation to the actuarially determined contribution	5,532	29,534	33,914	17,112	22,643	20,368	33,033	34,608	9,199	14,195
Contribution (Excess) Deficiency	\$ (5,532)	\$ (26,605)	\$ (30,893)	\$ (6,279)	\$ (4,894)	\$ (1,843)	\$ (9,047)	\$ (11,622)	\$ 24,721	\$ 11,169

Other Supplemental Information

Southeastern Oakland County Water Authority

Other Supplemental Information Schedule of Budget Analysis

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Actual</u>	(Under) Over <u>Amended Budget</u>
Revenue			
Sale of water - Member municipalities	\$ 17,500,000	\$ 16,485,795	\$ (1,014,205)
Sale of water - Nonmember municipalities	9,292,400	9,004,585	(287,815)
Rental income	122,000	122,928	928
Interest on investments	75,000	82,091	7,091
Miscellaneous income	10,000	5,949	(4,051)
Total revenue	26,999,400	25,701,348	(1,298,052)
Operating Expenses - Excluding Depreciation	<u>25,777,732</u>	<u>24,836,258</u>	<u>(941,674)</u>
Amount Available for Reserves and Capital Outlay	<u>\$ 1,221,668</u>	<u>\$ 865,090</u>	<u>\$ (356,378)</u>

Southeastern Oakland County Water Authority

Other Supplemental Information Schedule of Budget Operating Expenses Analysis

Year Ended June 30, 2020

	Budget	Actual	Over (Under) Budget
Source of supply - Pump station operations and water purchases for resale	\$ 23,674,000	\$ 23,089,967	\$ (584,033)
Meters:			
Labor and supervision	33,865	32,742	(1,123)
Power and light	9,000	8,098	(902)
Maintenance of equipment	40,000	19,579	(20,421)
Total meters	82,865	60,419	(22,446)
Mains:			
Labor and supervision	20,345	18,550	(1,795)
Maintenance of equipment	30,000	24,873	(5,127)
Miss Dig	25,000	35,318	10,318
Total mains	75,345	78,741	3,396
Webster pump station operations:			
Labor and supervision	404,900	447,207	42,307
Utilities	48,500	43,256	(5,244)
Maintenance of equipment	20,000	23,867	3,867
Maintenance of building	10,000	5,580	(4,420)
Maintenance of property and grounds	11,000	5,939	(5,061)
Safety training	4,500	1,950	(2,550)
Safety maintenance and supplies	5,500	1,874	(3,626)
Supplies	15,000	9,446	(5,554)
Tools	6,000	3,233	(2,767)
Maintenance of reservoirs	3,000	7,989	4,989
Maintenance of tanks	2,000	-	(2,000)
Total Webster pump station operations	530,400	550,341	19,941
Webster computer operations:			
Labor and supervision	47,300	52,944	5,644
Website and internet	10,000	11,318	1,318
Computer hardware maintenance	15,000	13,048	(1,952)
Computer software maintenance	10,000	8,501	(1,499)
UPS	2,500	2,421	(79)
Total Webster computer operations	84,800	88,232	3,432
Webster - Purification:			
Labor and supervision	52,250	49,152	(3,098)
Maintenance of equipment	1,000	415	(585)
Supplies	22,000	11,044	(10,956)
Regulatory testing	67,000	80,726	13,726
Total Webster - Purification	142,250	141,337	(913)

Southeastern Oakland County Water Authority

Other Supplemental Information

Schedule of Budget Operating Expenses Analysis (Continued)

Year Ended June 30, 2020

	Budget	Actual	(Under) Over Budget
Webster - Transportation:			
Labor and supervision	\$ 8,710	\$ 6,599	\$ (2,111)
Maintenance of equipment	20,000	21,516	1,516
Fuel	25,000	4,345	(20,655)
Total Webster - Transportation	53,710	32,460	(21,250)
Total Webster expenses	811,160	812,370	1,210
Shafter pump station operations:			
Labor and supervision	18,386	11,927	(6,459)
Utilities	15,000	12,169	(2,831)
Maintenance of equipment	11,000	358	(10,642)
Maintenance of building	6,000	85	(5,915)
Total Shafter pump station operations	50,386	24,539	(25,847)
Lamb pump station operations:			
Labor and supervision	18,386	11,907	(6,479)
Utilities	11,700	6,895	(4,805)
Maintenance of equipment	11,000	629	(10,371)
Maintenance of building	6,000	167	(5,833)
Total Lamb pump station operations	47,086	19,598	(27,488)
12 Mile meter station:			
Labor and supervision	12,625	8,784	(3,841)
Utilities	1,750	1,363	(387)
Maintenance of equipment	2,500	48	(2,452)
Maintenance of building	500	92	(408)
Maintenance of property and grounds	500	134	(366)
Total 12 Mile meter station	17,875	10,421	(7,454)
Gare pump station operations:			
Labor and supervision	21,925	14,002	(7,923)
Utilities	18,200	10,866	(7,334)
Maintenance of equipment	6,000	2,059	(3,941)
Maintenance of building	2,000	475	(1,525)
Maintenance of property and grounds	2,000	1,317	(683)
Maintenance of reservoirs	2,000	-	(2,000)
Total Gare pump station operations	52,125	28,719	(23,406)

Southeastern Oakland County Water Authority

Other Supplemental Information

Schedule of Budget Operating Expenses Analysis (Continued)

Year Ended June 30, 2020

	Budget	Actual	(Under) Over Budget
Oliver pump station operations:			
Labor and supervision	\$ 9,105	\$ 4,750	\$ (4,355)
Utilities	4,500	3,628	(872)
Maintenance of equipment	1,000	209	(791)
Maintenance of building	1,000	55	(945)
Maintenance of property and grounds	3,000	368	(2,632)
Total Oliver pump station operations	18,605	9,010	(9,595)
14 Mile/Lahser meter station:			
Labor and supervision	9,460	6,889	(2,571)
Utilities	600	188	(412)
Maintenance of equipment	4,000	75	(3,925)
Total 14 Mile/Lahser meter station	14,060	7,152	(6,908)
Quarton/Chesterfield meter station:			
Labor and supervision	9,310	6,315	(2,995)
Utilities	600	319	(281)
Maintenance of equipment	2,500	205	(2,295)
Total Quarton/Chesterfield meter station	12,410	6,839	(5,571)
Bloomfield meter station -			
Labor and supervision	2,300	1,554	(746)
Bloomfield township meter station:			
Labor and supervision	2,330	2,051	(279)
Maintenance of equipment	2,000	-	(2,000)
Total Bloomfield meter station	4,330	2,051	(2,279)
14 Mile tank and pump station:			
Labor and supervision	21,315	13,030	(8,285)
Utilities	13,000	8,516	(4,484)
Maintenance of equipment	4,000	329	(3,671)
Maintenance of building	1,000	-	(1,000)
Maintenance of property and grounds	3,000	2,151	(849)
Maintenance of reservoir	2,000	-	(2,000)
Maintenance of tanks	4,000	99	(3,901)
Total 14 Mile tank and pump station	48,315	24,125	(24,190)

Southeastern Oakland County Water Authority

Other Supplemental Information

Schedule of Budget Operating Expenses Analysis (Continued)

Year Ended June 30, 2020

	Budget	Actual	(Under) Over Budget
Samoset tank operations:			
Labor and supervision	\$ 8,165	\$ 3,605	\$ (4,560)
Utilities	1,550	1,312	(238)
Maintenance of equipment	2,000	-	(2,000)
Maintenance of building	1,000	19	(981)
Maintenance of property and grounds	1,000	-	(1,000)
Maintenance of reservoir	1,000	832	(168)
Total Samoset tank operations	14,715	5,768	(8,947)
Buchanan pump station:			
Labor and supervision	8,155	6,196	(1,959)
Utilities	2,000	1,045	(955)
Maintenance of equipment	2,000	169	(1,831)
Maintenance of building	1,000	-	(1,000)
Maintenance of property and grounds	500	-	(500)
Maintenance of reservoir	1,000	-	(1,000)
Total Buchanan pump station	14,655	7,410	(7,245)
Administrative and general:			
Labor and supervision	181,000	262,347	81,347
Administrative and office	27,000	59,696	32,696
Personnel improvement	5,000	3,261	(1,739)
Travel and conferences	5,000	2,523	(2,477)
Telephone - Office	10,000	5,993	(4,007)
Legal	7,000	10,060	3,060
Audit	18,200	23,100	4,900
Social Security	67,000	68,793	1,793
Retirement plan	110,000	(179,919)	(289,919)
General insurance	34,000	35,351	1,351
Group insurance	250,000	262,821	12,821
Workers' compensation	15,500	8,181	(7,319)
Life insurance	3,000	2,345	(655)
Retiree healthcare funding	50,000	30,000	(20,000)
Consulting	50,000	48,122	(1,878)
Miscellaneous expense	5,000	4,901	(99)
Total administrative and general	837,700	647,575	(190,125)
Total operating expenses, excluding depreciation	\$ 25,777,732	\$ 24,836,258	\$ (941,674)

Southeastern Oakland County Water Authority

Other Supplemental Information Schedule of Accounts Receivable and Analysis of Charges

Year Ended June 30, 2020

	Accounts Receivable Balance June 30, 2019	Water Consumption (1M Cubic Feet)	Total Water Charges	Amount Due at Beginning of Year Plus Billing For Year	Total Paid	Accounts Receivable Balance June 30, 2020
Member municipalities:						
Berkley	\$ 55,900	47,762	\$ 827,448	\$ 883,348	\$ 798,673	\$ 84,675
Beverly Hills	54,726	37,956	655,514	710,240	618,410	91,830
Bingham Farms	15,739	10,206	176,916	192,655	166,224	26,431
Birmingham	170,238	114,502	1,975,461	2,145,699	1,897,671	248,028
Clawson	52,632	30,494	538,573	591,205	539,353	51,852
Huntington Woods	36,466	23,061	397,577	434,043	351,143	82,900
Lathrup Village	32,136	22,299	383,249	415,385	378,043	37,342
Pleasant Ridge	16,415	10,967	189,483	205,898	179,093	26,805
Royal Oak	359,506	235,780	4,056,781	4,416,287	3,973,781	442,506
Southfield	611,243	408,015	7,033,062	7,644,305	6,930,980	713,325
American Golf	-	1,872	32,463	32,463	24,619	7,844
Detroit Zoo	27,543	12,764	219,268	246,811	220,518	26,293
Total member municipalities	1,432,544	955,678	16,485,795	17,918,339	16,078,508	1,839,831
Bloomfield Hills	156,135	55,063	1,678,395	1,834,530	1,591,582	242,948
Bloomfield Township	615,085	242,262	7,326,190	7,941,275	6,866,578	1,074,697
Total	\$ 2,203,764	1,253,003	\$ 25,490,380	\$ 27,694,144	\$ 24,536,668	\$ 3,157,476

Southeastern Oakland County Water Authority

Other Supplemental Information Schedule of Working Capital Analysis

	June 30	
	2020	2019
Total current assets	\$ 9,924,807	\$ 10,132,005
Less current liabilities	<u>6,055,969</u>	<u>6,164,659</u>
Total working capital	<u>\$ 3,868,838</u>	<u>\$ 3,967,346</u>
Annual operating expenses, excluding depreciation	<u>\$ 24,836,258</u>	<u>\$ 25,336,235</u>
Percentage of working capital to annual operating expense	15.58%	15.66%