

Resource Recovery and Recycling Authority of Southwest Oakland County

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

Resource Recovery and Recycling Authority of Southwest Oakland County

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Independent Auditor's Report

To the Board of Directors
Resource Recovery and Recycling Authority
of Southwest Oakland County

Report on the Financial Statements

We have audited the accompanying financial statements of the General Fund and the governmental activities (modified accrual and full accrual columns, respectively) of the Resource Recovery and Recycling Authority of Southwest Oakland County (the "Authority") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Resource Recovery and Recycling Authority of Southwest Oakland County'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.

To the Board of Directors
Resource Recovery and Recycling Authority
of Southwest Oakland County

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

Opinions

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

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

Plante & Moran, PLLC

August 24, 2016

Resource Recovery and Recycling Authority of Southwest Oakland County

Management's Discussion and Analysis

Our discussion and analysis of Resource Recovery and Recycling Authority of Southwest Oakland County's (RRRASOC or the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Authority's financial statements.

Using this Annual Report

This annual report presents the financial position and the results of operations for each of the Authority's funds, as well as for the Authority as a whole. The individual funds are presented on the modified accrual basis of accounting, which is a short-term view that tells us how resources were spent during the year, as well as how much is available for future spending. This information is then aggregated and adjusted to the full-accrual basis to present a longer-term view of the Authority as a whole. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the member communities have funded the full cost of providing waste management services.

The Authority as a Whole

The following table shows, in a condensed format, the net assets on a full accrual basis compared to the prior years:

	2014	2015	2016	Current Year Change	
				Amount	Percent
Assets					
Current assets	\$ 1,270,446	\$ 2,388,480	\$ 321,417	\$ (2,067,063)	(86.5)
Capital assets	<u>1,565,440</u>	<u>5,909,563</u>	<u>8,439,184</u>	<u>2,529,621</u>	42.8
Total assets	2,835,886	8,298,043	8,760,601	462,558	5.6
Liabilities					
Current liabilities	387,680	560,420	32,775	(527,645)	(94.2)
Noncurrent liabilities	<u>16,004</u>	<u>22,736</u>	<u>39,289</u>	<u>16,553</u>	72.8
Total liabilities	<u>403,684</u>	<u>583,156</u>	<u>72,064</u>	<u>(511,092)</u>	(87.6)
Net Position					
Investment in capital assets	1,565,440	5,909,563	8,439,184	2,529,621	42.8
Unrestricted	<u>866,762</u>	<u>1,805,324</u>	<u>249,353</u>	<u>(1,555,971)</u>	(86.2)
Total net position	<u>\$ 2,432,202</u>	<u>\$ 7,714,887</u>	<u>\$ 8,688,537</u>	<u>\$ 973,650</u>	12.6

The Authority's combined net position increased approximately 13 percent from a year ago, from \$7,714,887 to \$8,688,537. The increase of net position investment in capital assets relates to the acquisition of MRF equipment following the May 2014 fire. The equipment was placed in service during fiscal year 2016 with the use of insurance proceeds.

Resource Recovery and Recycling Authority of Southwest Oakland County

Management's Discussion and Analysis (Continued)

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$1,555,971 for the governmental activities. This was largely related to insurance proceeds that had been received by the Authority in fiscal year 2015 and spent during fiscal year 2016.

The following table shows the changes in net position during the current year as compared to the prior two years:

	Year Ended June 30			Current Year Change	
	2014	2015	2016	Amount	Percent
Revenue					
Contributions from members	\$ 291,795	\$ 291,795	\$ 305,958	\$ 14,163	4.9
MRF revenue sharing	136,532	138,492	37,562	(100,930)	(72.9)
Host fees	157,662	-	50,000	50,000	-
Interest income	3,538	7,647	3,650	(3,997)	(52.3)
Refunds and other	13,645	19,966	162,778	142,812	715.3
Insurance recovery	57,971	5,598,659	1,092,573	(4,506,086)	(80.5)
Total revenue	661,143	6,056,559	1,652,521	(4,404,038)	(72.7)
Expenses					
Salaries and benefits	272,697	241,740	264,420	22,680	9.4
Professional services	33,142	91,249	68,450	(22,799)	(25.0)
Other operating expenses	80,190	66,479	104,270	37,791	56.8
Drop-off expense	89,176	99,445	96,550	(2,895)	(2.9)
Revenue sharing distributed to communities	49,759	266,032	10,189	(255,843)	(96.2)
Capital outlay	-	-	287	287	-
Depreciation	128,452	1,738	134,705	132,967	7,650.6
Fire-related costs	79,460	-	-	-	-
Loss on disposal of assets	-	7,191	-	(7,191)	100.0
Total expenses	732,876	773,874	678,871	(95,003)	(12.3)
Change in Net Position	\$ (71,733)	\$ 5,282,685	\$ 973,650	\$ (4,309,035)	(81.6)

The MRF revenue sharing dropped by \$100,930 as a result of a drop in the value of various commodities. Those values tend to fluctuate significantly as a result of market forces and in general cannot be depended upon for future revenue levels. Revenue from host fees increased by \$50,000 due to the resumption of MRF operations in April 2016.

Resource Recovery and Recycling Authority of Southwest Oakland County

Management's Discussion and Analysis (Continued)

The Authority's Financial Statements

The financial statements are presented on both a modified accrual and full accrual basis of accounting. The Authority creates funds to help manage money for specific purposes as well as to show accountability for certain activities. For budgetary purposes, the Authority's funds include the General Administrative Fund, the Materials Recovery Facility - Operations Fund, and the Materials Recovery Facility - Recovery Fund. For financial statement reporting purposes, the three funds are combined into a single modified accrual fund.

Budgetary Highlights

Overall, the Authority's expenditures remained below budgeted amounts. The Authority's fund balance is being closely monitored as it fell due to reduced cash flow during the period following the fire at the MRF. The fund balance is anticipated to rise to healthier levels as MRF operations return to normal. The Authority continued to use the MRF Recovery account to track insurance proceeds and expenditures related to the 2014 fire to the Materials Recovery Facility.

Capital Asset Administration

As described in Note 5, at the end of 2016, the Authority had \$8,439,184 invested in capital assets (net of depreciation), including land, building, and office furnishings and fixtures. Of this amount, \$1,550,000 relates to land.

Economic Factors and Next Year's Budgets and Rates

Commodity prices reached near historic lows in the third quarter of the fiscal year due to a variety of global and domestic factors, including weak overseas demand and the drop in oil prices. However, prices began a slow climb to normalcy in the last quarter of the fiscal year and returned revenue sharing values to positive during the period.

Contacting the Authority's Management

This financial report is intended to provide our member communities with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives from the member communities. If you have questions about this report or need additional information, we welcome you to contact the Authority's office.

Resource Recovery and Recycling Authority of Southwest Oakland County

Statement of Net Position/Governmental Fund Balance Sheet June 30, 2016

	Balance Sheet - Modified Accrual	Accrual Adjustments (Note 2)	Statement of Net Position - Full Accrual
Assets			
Cash and cash equivalents (Note 4)	\$ 263,419	\$ -	\$ 263,419
Accounts receivable	50,978	-	50,978
Prepaid expenses	7,020	-	7,020
Capital assets:			
Nondepreciable capital assets (Note 5)	-	1,550,000	1,550,000
Depreciable capital assets - Net (Note 5)	-	6,889,184	6,889,184
Total assets	<u>\$ 321,417</u>	8,439,184	8,760,601
Liabilities			
Accounts payable	\$ 24,615	-	24,615
Compensated absences:			
Due within one year	-	8,160	8,160
Due in more than one year	-	39,289	39,289
Total liabilities	24,615	47,449	72,064
Equity			
Fund balance:			
Nonspendable	7,020	(7,020)	-
Unassigned	289,782	(289,782)	-
Total fund balance	<u>296,802</u>	<u>(296,802)</u>	-
Total liabilities and fund balance	<u>\$ 321,417</u>		
Net position:			
Net investment in capital assets		8,439,184	8,439,184
Unrestricted		249,353	249,353
Total net position		<u>\$ 8,688,537</u>	<u>\$ 8,688,537</u>

Resource Recovery and Recycling Authority of Southwest Oakland County

Statement of Activities/Governmental Fund Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2016

	Modified Accrual	Accrual Adjustments (Note 2)	Full Accrual
Revenue			
Contributions from members	\$ 305,958	\$ -	\$ 305,958
MRF revenue sharing	37,562	-	37,562
Host fees	50,000	-	50,000
Interest income	3,650	-	3,650
Refunds and other	162,778	-	162,778
Insurance recovery	-	1,092,573	1,092,573
	<u>559,948</u>	<u>1,092,573</u>	<u>1,652,521</u>
Expenditures/Expenses			
Salaries and benefits	252,886	11,534	264,420
Professional services	68,450	-	68,450
Supplies	2,412	-	2,412
Printing and publishing	36,173	-	36,173
Postage and mailing	21,699	-	21,699
Utilities	5,796	-	5,796
Training and travel	4,477	-	4,477
Equipment maintenance	1,401	-	1,401
Other operating expenses	32,312	-	32,312
Drop-off expenses	96,550	-	96,550
Revenue sharing distributed to communities	10,189	-	10,189
Capital outlay	2,664,613	(2,664,326)	287
Depreciation	-	134,705	134,705
	<u>3,196,958</u>	<u>(2,518,087)</u>	<u>678,871</u>
Other Financing Sources - Insurance proceeds	<u>1,092,573</u>	<u>(1,092,573)</u>	<u>-</u>
Net Change in Fund Balance/Net Position	(1,544,437)	2,518,087	973,650
Fund Balance/Net Position - July 1, 2015	<u>1,841,239</u>	<u>5,873,648</u>	<u>7,714,887</u>
Fund Balance/Net Position - June 30, 2016	<u>\$ 296,802</u>	<u>\$ 8,391,735</u>	<u>\$ 8,688,537</u>

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2016

Note I - Summary of Significant Accounting Policies

The Resource Recovery and Recycling Authority of Southwest Oakland County (the "Authority") is a municipal authority and body corporate, incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, and Wixom; the Village of Milford; and the Charter Township of Milford and was created pursuant to Act 179, Michigan Public Acts of 1947, as amended. Currently, the Authority is engaged in assisting the communities in the coordination of their solid waste management activities. Its ultimate purpose is the collection and disposal of rubbish and acquisition and operation of a waste management system.

The accounting policies of the Resource Recovery and Recycling Authority of Southwest Oakland County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Resource Recovery and Recycling Authority of Southwest Oakland County:

Modified Accrual and Full Accrual Data

The Authority consists of a single fund, which is presented in these financial statements on both the modified accrual basis and full accrual basis. The modified accrual column represents the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenue to be available if it is collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The full accrual column represents the total 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Assets, Liabilities, and Net Position or Equity

Bank Deposits 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.

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2016

Note I - Summary of Significant Accounting Policies (Continued)

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land and building for the MRF site, machinery and equipment, and office furniture and fixtures, are reported in the full accrual column. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Land (MRF site)	Not depreciated
Building	50 years
Machinery and equipment	5-15 years
Office furniture and fixtures	3-10 years

Compensated Absences (Vacation and Sick Leave) - It is the Authority's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A portion of accumulated sick leave is payable upon death or retirement and is accrued. All vacation pay and the portion of sick leave eligible for payout upon death or retirement are accrued when incurred in the full accrual column. A liability for these amounts is reported in the governmental funds only for employee terminations as of year end.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has no items that qualify for reporting in this category.

Resource Recovery and Recycling Authority of Southwest Oakland County

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

Note I - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board of directors.
- **Assigned:** Intent to spend resources on specific purposes expressed by the governing body
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been restricted, committed, or assigned to specific purposes in the General Fund.

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.

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2016

Note 2 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities

Net position reported in the statement of net position column is different than the fund balance reported in the individual fund column because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Fund Balance - Modified Accrual Basis	\$ 296,802
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	8,439,184
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	<u>(47,449)</u>
Net Position - Full Accrual Basis	<u>\$ 8,688,537</u>

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the individual fund column because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Net Change in Fund Balances - Modified Accrual Basis	\$ (1,544,437)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	2,664,326
Depreciation expense	(134,705)
Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and therefore, are not reported in the fund statements until they come due for payment	<u>(11,534)</u>
Change in Net Position of Governmental Activities	<u>\$ 973,650</u>

Resource Recovery and Recycling Authority of Southwest Oakland County

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

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end. The budget is prepared by the general manager and approved by the board of directors. The budget document presents information by fund and line items. The legal level of budgetary control adopted by the governing body is the line item level (i.e., the level at which expenditures may not legally exceed appropriations). Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated three banks 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 and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Authority's deposits and investment policies are in accordance with statutory authority.

The Authority's cash and investments are subject to three 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 no bank deposits that were uninsured and uncollateralized. 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.

Resource Recovery and Recycling Authority of Southwest Oakland County

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

Note 4 - Deposits and Investments (Continued)

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. In accordance with its investment policy, the Authority manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to a range of 90 days to three years. The Authority's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. As of year end, the Authority held \$79,030 invested in an investment pool with a weighted average maturity of 389 days.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. As of year end, the Authority held \$79,030 in investment pools that were not rated.

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer. More than 50 percent of the Authority's investments are in the Oakland County Local Government Investment Pool (the "LGIP"). The LGIP is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB Statement No. 79 to report its value for financial reporting purposes at amortized cost.

Fair Value Measurements

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

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

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2016

Note 4 - Deposits and Investments (Continued)

Investments in Entities that Calculate Net Asset Value per Share

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

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

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Oakland County Government Investment Pool	\$ 79,030	\$ -	No restrictions	None

Note 5 - Capital Assets

Capital asset activity was as follows:

Governmental Activities	Balance July 1, 2015	Additions	Disposals and Adjustments	Balance June 30, 2016
Capital assets not being depreciated - Land (MRF site)	\$ 1,550,000	\$ -	\$ -	\$ 1,550,000
Capital assets being depreciated:				
Building	4,345,863	-	-	4,345,863
Machinery and equipment	8,770	2,662,846	-	2,671,616
Office furnishings and fixtures	10,191	1,480	-	11,671
Subtotal	4,364,824	2,664,326	-	7,029,150
Accumulated depreciation:				
Building	-	86,917	-	86,917
Machinery and equipment	2,988	45,876	-	48,864
Office furnishings and fixtures	2,273	1,912	-	4,185
Subtotal	5,261	134,705	-	139,966
Net capital assets being depreciated	4,359,563	2,529,621	-	6,889,184
Net capital assets	\$ 5,909,563	\$ 2,529,621	\$ -	\$ 8,439,184

Resource Recovery and Recycling Authority of Southwest Oakland County

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

Note 5 - Capital Assets (Continued)

Upon termination of the MRF Operations Agreement with ReCommunity Recycling, ownership of any fixed equipment installed by ReCommunity Recycling will be transferred to the Authority. The Authority will record the facility at its fair value, if any, at the time of transfer (the original cost of the ReCommunity Recycling-owned equipment installed during FY 2015-2016 is approximately \$6.5 million).

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, workers' compensation, and general liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Required Supplemental Information

Resource Recovery and Recycling Authority of Southwest Oakland County

Required Supplemental Information Budgetary Comparison Schedules - Budgetary Presentation Year Ended June 30, 2016

For budgetary purposes, the Authority budgets the general administrative activities separately from the material recovery facilities activity. The MRF - recovery department was set up during the 2014 fiscal year to separately account and budget for insurance proceeds and costs associated with the fire at the facility in May 2014.

- a. The General Administrative Fund accounts for all financial activity that is not otherwise accounted for in the Materials Recovery Facility funds.
- b. The Materials Recovery Facility - Operations Fund reports the operation of the materials recovery facility. The fund's major revenue sources are revenue sharing, host fees, and a portion of member contributions.
- c. The Materials Recovery Facility - Recovery Fund accounts for the insurance proceeds and costs that relate to the fire at the facility building in May 2014.

Below is a reconciliation of the three separate activities to the modified accrual basis General Fund:

	General Administrative	MRF - Operations	MRF - Recovery	Presentation and GAAP Adjustments	Total Modified Accrual
Total revenue	\$ 260,242	\$ 296,969	\$ 1,112,873	\$ (1,092,573)	\$ 577,511
Total expenditures	<u>(284,826)</u>	<u>(255,821)</u>	<u>(2,673,874)</u>	<u>-</u>	<u>(3,214,521)</u>
Excess of revenue (under) over expenditures	(24,584)	41,148	(1,561,001)	(1,092,573)	(2,637,010)
Other financing sources	-	-	-	1,092,573	1,092,573
Fund balance - Beginning of year	<u>119,067</u>	<u>161,171</u>	<u>1,561,001</u>	<u>-</u>	<u>1,841,239</u>
Fund balance - End of year	<u>\$ 94,483</u>	<u>\$ 202,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,802</u>

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all departments with one exception; the Authority has included in its budgetary comparison schedules certain insurance proceeds revenue that is classified as other financing sources in the modified accrual statements.

Resource Recovery and Recycling Authority of Southwest Oakland County

Required Supplemental Information Budgetary Comparison Schedule - General Administrative Fund Year Ended June 30, 2016

	Current Year				
	Prior Year	Amended		Over (Under)	
	Actual	Original Budget	Budget	Actual	Amended Budget
Revenue					
Member contributions	\$ 224,009	\$ 224,009	\$ 238,172	\$ 238,172	\$ -
Interest income	996	800	350	365	15
Other	12,899	5,000	11,100	21,705	10,605
Total revenue	237,904	229,809	249,622	260,242	10,620
Expenditures					
Supervisory salaries	56,069	57,190	57,191	57,191	-
Permanent salaries	42,724	43,745	43,747	43,747	-
Overtime	4,353	4,392	3,800	3,800	-
FICA	8,292	8,534	8,699	8,697	(2)
Medical and dental insurance	32,224	41,755	39,350	39,309	(41)
Unemployment insurance	160	160	160	126	(34)
Workers' compensation	722	691	691	691	-
ICMA contribution	11,762	12,125	12,125	12,088	(37)
Operating supplies	279	600	600	588	(12)
Office supplies	1,470	1,500	1,500	1,500	-
Postage and mailing	1,172	15,700	22,009	21,699	(310)
Magazines and periodicals	218	220	220	76	(144)
Audit	7,800	7,800	7,800	7,800	-
Consulting services - Legal	-	-	1,750	1,701	(49)
Membership dues	907	1,020	1,109	1,102	(7)
Contractual services	22,811	28,270	46,337	46,819	482
Telephone	3,053	3,580	3,580	3,580	-
Vehicle allowance	4,800	4,800	4,800	4,800	-
Community relations	788	2,640	500	500	-
Printing and publishing	371	5,755	21,245	21,160	(85)
Equipment maintenance	-	300	300	228	(72)
Building and grounds maintenance	-	500	2,400	2,368	(32)
Office equipment rental	1,826	2,000	2,000	1,708	(292)
Conferences and workshops	2,983	2,500	2,000	1,568	(432)
Expenses and mileage	2,462	2,500	2,000	1,882	(118)
Computer software	406	260	260	98	(162)
Office equipment	32	500	-	-	-
Contingency	-	2,910	-	-	-
Total expenditures	207,684	251,947	286,173	284,826	(1,347)
Excess of Revenue Over (Under) Expenditures	30,220	\$ (22,138)	\$ (36,551)	(24,584)	\$ 11,967
Fund Balance - Beginning of year	88,847			119,067	
Fund Balance - End of year	\$ 119,067			\$ 94,483	

Resource Recovery and Recycling Authority of Southwest Oakland County

Required Supplemental Information Budgetary Comparison Schedule - MRF - Operations Year Ended June 30, 2016

	Current Year				
	Prior Year	Amended			Over (Under)
		Actual	Original Budget	Budget	Actual
Revenue					
Member contributions	\$ 67,786	\$ 67,786	\$ 67,786	\$ 67,786	\$ -
Interest income	1,869	1,650	535	548	13
Revenue sharing:					
Curbside	125,496	21,500	13,913	30,890	16,977
Drop-off	19,366	3,500	4,666	6,672	2,006
Host fees	234,720	50,000	50,000	50,000	-
Other	12,000	-	141,073	141,073	-
Total revenue	461,237	144,436	277,973	296,969	18,996
Expenditures					
Supervisory salaries	45,780	46,792	46,793	46,792	(1)
Permanent salaries	7,539	7,720	7,720	7,720	-
FICA	4,536	4,677	4,824	4,819	(5)
Medical and dental insurance	13,354	20,546	19,137	19,113	(24)
Unemployment insurance	68	68	68	54	(14)
Workers' compensation	260	216	253	253	-
ICMA contribution	8,252	8,517	8,517	8,486	(31)
Operating supplies	-	-	400	57	(343)
Office supplies	-	-	400	267	(133)
Postage and mailing	12,344	1,000	850	-	(850)
Audit	2,400	2,400	2,700	2,700	-
Drop-off	99,445	102,000	99,300	96,550	(2,750)
Telephone	1,761	2,000	2,200	2,216	16
Printing and publishing	9,076	5,995	14,040	15,013	973
Building and liability insurance	19,867	20,000	20,745	20,745	-
Equipment maintenance	1,335	1,335	1,402	1,401	(1)
Conferences and workshops	1,000	1,000	1,000	1,000	-
Expenses and mileage	196	500	250	27	(223)
Office equipment	53	-	700	687	(13)
Capital outlay	-	27,500	27,300	169	(27,131)
Contingency	-	2,912	-	-	-
Transfers, distributions, and other	50,000	-	28,381	27,752	(629)
Total expenditures	277,266	255,178	286,980	255,821	(31,159)
Excess of Revenue Over (Under) Expenditures	183,971	\$ (110,742)	\$ (9,007)	41,148	\$ 50,155
Fund Balance - Beginning of year	(22,800)			161,171	
Fund Balance - End of year	\$ 161,171			\$ 202,319	

Resource Recovery and Recycling Authority of Southwest Oakland County

Required Supplemental Information Budgetary Comparison Schedule - MRF - Recovery Year Ended June 30, 2016

	Prior Year Actual	Current Year			(Under) Over Amended Budget
		Original Budget	Amended Budget	Actual	
Revenue					
Miscellaneous income - Insurance	\$ 6,220,899	\$ -	\$ 1,110,765	\$ 1,110,136	\$ (629)
Interest income	4,782	5,500	2,680	2,737	57
Total revenue	6,225,681	5,500	1,113,445	1,112,873	(572)
Expenditures					
Office supplies	80	-	-	-	-
Consulting services - Engineers	11,954	-	-	-	-
Consulting services - Legal	12,515	-	3,000	2,911	(89)
Consulting services - Accounting	33,769	-	6,519	6,519	-
Capital outlay	4,355,640	-	2,664,927	2,664,444	(483)
Transfer	462,055	-	-	-	-
Total expenditures	4,876,013	-	2,674,446	2,673,874	(572)
Excess of Revenue Over (Under) Expenditures	1,349,668	<u>\$ 5,500</u>	<u>\$ (1,561,001)</u>	(1,561,001)	<u>\$ -</u>
Fund Balance - Beginning of year	211,333			1,561,001	
Fund Balance - End of year	<u>\$ 1,561,001</u>			<u>\$ -</u>	

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Authority's General Administrative Fund incurred expenditures in excess of budget related to contractual services (\$482). The Authority also incurred telephone and printing and publishing expenditures that were in excess of the amounts budgeted for in the MRF - Operations Fund in the amounts of \$16 and \$973, respectively.