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Resource Recovery and Recycling Authority of  
Southwest Oakland County

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**Financial Report**  
**with Supplemental Information**  
**June 30, 2018**

# 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 Administrative 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, 2018 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 opinions 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 opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Administrative Fund and the governmental activities of the Resource Recovery and Recycling Authority of Southwest Oakland County as of June 30, 2018 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.

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

**Other Matter**

*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 schedule, 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 23, 2018

# Resource Recovery and Recycling Authority of Southwest Oakland County

## Management's Discussion and Analysis

Our discussion and analysis of the 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 year ended June 30, 2018. Please read it in conjunction with the Authority's financial statements.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. 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 fund financial statements present a short-term view; they tell the member communities how the resources were spent during the year, as well as how much is available for future spending.

### The Authority as a Whole

	Governmental Activities				Percent Change
	2016	2017	2018	Change	
<b>Assets</b>					
Current and other assets	\$ 321,417	\$ 428,969	\$ 650,173	\$ 221,204	51.6
Capital assets	8,439,184	8,224,373	7,969,949	(254,424)	(3.1)
Total assets	8,760,601	8,653,342	8,620,122	(33,220)	(0.4)
<b>Liabilities</b>					
Current liabilities	24,615	22,571	97,536	74,965	332.1
Noncurrent liabilities	47,449	53,574	58,735	5,161	9.6
Total liabilities	72,064	76,145	156,271	80,126	105.2
<b>Net Position</b>					
Net investment in capital assets	8,439,184	8,224,373	7,969,949	(254,424)	(3.1)
Restricted	-	-	-	-	-
Unrestricted	249,353	352,824	493,902	141,078	40.0
Total net position	<u>\$ 8,688,537</u>	<u>\$ 8,577,197</u>	<u>\$ 8,463,851</u>	<u>\$ (113,346)</u>	(1.3)

The Authority's combined net position decreased approximately 1.3 percent from a year ago from \$8,577,197 to \$8,463,851. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by \$141,078 for the governmental activities.

**Resource Recovery and Recycling Authority of Southwest Oakland County**  
**Management's Discussion and Analysis (Continued)**

**Authority's Changes in Net Position**

	Governmental Activities				Percent Change
	2016	2017	2018	Change	
<b>Revenue</b>					
Member contributions	\$ 305,958	\$ 330,794	\$ 330,794	\$ -	-
Host fees	50,000	310,832	341,913	31,081	10.0
MRF revenue sharing	1,130,135	212,343	84,910	(127,433)	(60.0)
Other revenue:					
Refunds and other	162,778	5,390	32,292	26,902	499.1
Interest income	3,650	1,381	2,134	753	54.5
Insurance recovery	1,092,573	-	-	-	-
Total revenue	2,745,094	860,740	792,043	(68,697)	(8.0)
<b>Expenditures</b>					
Printing and publishing	36,173	18,112	26,177	8,065	44.5
Postage and mailing	21,699	16,765	17,994	1,229	7.3
Utilities	5,796	5,532	5,774	242	4.4
Revenue sharing distributed to communities	10,189	141,073	60,793	(80,280)	(56.9)
Salaries and benefits	264,420	268,191	274,474	6,283	2.3
Supplies	2,412	2,163	2,563	400	18.5
Professional services	68,450	42,145	54,570	12,425	29.5
Drop-off expenses	96,550	147,533	103,683	(43,850)	(29.7)
Training and travel	4,477	2,350	3,055	705	30.0
Other operating expenses	33,713	58,752	63,074	4,322	7.4
Capital outlay	287	-	19,844	19,844	-
Depreciation	134,705	269,464	273,388	3,924	1.5
Total expenditures	678,871	972,080	905,389	(66,691)	(6.9)
<b>Excess of Revenue Over (Under) Expenditures</b>	2,066,223	(111,340)	(113,346)	(2,006)	1.8
<b>Other Financing Uses - Insurance recoveries</b>	(1,092,573)	-	-	-	-
<b>Net Change in Net Position</b>	<b>\$ 973,650</b>	<b>\$ (111,340)</b>	<b>\$ (113,346)</b>	<b>\$ (2,006)</b>	1.8

The MRF revenue sharing receipts decreased by \$127,433 as a result of a decrease 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 \$31,081 due to an increase in capacity utilization by the Authority's MRF contractor. Overall expenses decreased by \$66,691 primarily due to a reduction in revenue sharing distribution to member communities.

# **Resource Recovery and Recycling Authority of Southwest Oakland County**

## **Management's Discussion and Analysis (Continued)**

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### **General 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 has risen to healthier levels as MRF operations and associated revenue returned to normal.

### **Capital Assets Administration**

As described in Note 5, at the end of 2018, the Authority had \$7,969,949 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 remained volatile, with global and domestic uncertainty having a continued presence. Import restrictions to the Chinese market imposed by the Chinese government continued to adversely affect worldwide prices for recycled commodities. Prices remained below historic norms during the fiscal year.

### **Requests for Further Information**

This financial report is intended to provide our member communities with a general overview of the Authority's finances and demonstrate 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, 2018**

	Balance Sheet - Modified Accrual	Accrual Adjustments (Note 2)	Statement of Net Position - Full Accrual
<b>Assets</b>			
Cash and cash equivalents (Note 4)	\$ 583,300	\$ -	\$ 583,300
Receivables	60,990	-	60,990
Prepaid expenses and other assets	5,883	-	5,883
Capital assets:			
Assets not subject to depreciation (Note 5)	-	1,550,000	1,550,000
Assets subject to depreciation - Net (Note 5)	-	6,419,949	6,419,949
	<b>\$ 650,173</b>	7,969,949	8,620,122
Total assets			
<b>Liabilities</b>			
Accounts payable	\$ 94,378	-	94,378
Accrued liabilities and other	3,158	-	3,158
Compensated absences:			
Due within one year	-	11,002	11,002
Due in more than one year	-	47,733	47,733
	97,536	58,735	156,271
Total liabilities			
<b>Equity</b>			
Fund balance:			
Nonspendable	5,883	(5,883)	-
Unassigned	546,754	(546,754)	-
	552,637	(552,637)	-
Total fund balance			
Total liabilities and fund balance	<b>\$ 650,173</b>		
<b>Net Position</b>			
Net investment in capital assets		7,969,949	7,969,949
Unrestricted		493,902	493,902
		<b>\$ 8,463,851</b>	<b>\$ 8,463,851</b>
Total net position			

**Resource Recovery and Recycling Authority of Southwest Oakland County**  
**Statement of Activities/Governmental Fund Revenue, Expenditures, and**  
**Changes in Fund Balances**

**Year Ended June 30, 2018**

	Modified Accrual	Accrual Adjustments (Note 2)	Full Accrual
<b>Revenue</b>			
Member contributions	\$ 330,794	\$ -	\$ 330,794
Host fees	341,913	-	341,913
MRF revenue sharing	84,910	-	84,910
Other revenue:			
Refunds and other	32,292	-	32,292
Interest income	2,134	-	2,134
Total revenue	792,043	-	792,043
<b>Expenditures/Expenses</b>			
Printing and publishing	26,177	-	26,177
Postage and mailing	17,994	-	17,994
Utilities	5,774	-	5,774
Revenue sharing distributed to communities	60,793	-	60,793
Salaries and benefits	269,313	5,161	274,474
Supplies	2,563	-	2,563
Professional services	54,570	-	54,570
Drop-off expenses	103,683	-	103,683
Training and travel	3,055	-	3,055
Other operating expenses	63,074	-	63,074
Capital outlay	38,808	(18,964)	19,844
Depreciation	-	273,388	273,388
Total expenditures/expenses	645,804	259,585	905,389
<b>Net Change in Fund Balances/Net Position</b>	146,239	(259,585)	(113,346)
<b>Fund Balances/Net Position - Beginning of year</b>	406,398	8,170,799	8,577,197
<b>Fund Balances/Net Position - End of year</b>	<b>\$ 552,637</b>	<b>\$ 7,911,214</b>	<b>\$ 8,463,851</b>

**Note 1 - Significant Accounting Policies**

***Accounting and Reporting Principles***

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, Michigan; the Village of Milford, Michigan; 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 Resource Recovery and Recycling Authority of Southwest Oakland County conforms 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.

***Specific Balances and Transactions***

**Cash and Cash Equivalents**

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.

**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 acquisition cost at the date of donation.

**Note 1 - Significant Accounting Policies (Continued)**

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

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

**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/expenditure) until then. The Authority has no items that qualify for reporting in this category.

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 has no items that qualify for reporting in this category.

**Net Position**

Net position of the Authority is classified in two components: (1) net investment in capital assets consist of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets, (2) unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets.

**Net Position Flow Assumption**

The Authority will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide 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.

**Fund Balance Flow Assumptions**

The Authority will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund 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 fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

**Note 1 - Significant Accounting Policies (Continued)**

*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 Administrative Fund and represents fund balance that has not been restricted, committed, or assigned to specific purposes in the General Administrative Fund.

**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 fund only for employee terminations as of year end.

As of June 30, 2018, there were \$58,735 of accrued compensated absences, of which \$11,002 was deemed a current liability. Activity during the year consisted of \$18,371 of reductions to the liability and \$23,532 of additional earned accrued compensated absences.

**Use of Estimates**

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

**Note 2 - 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:

<b>Fund Balances Reported in Governmental Funds</b>	\$ 552,637
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	7,969,949
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>(58,735)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 8,463,851</u></u>

**Note 2 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities (Continued)**

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

<b>Net Change in Fund Balance Reported in Governmental Funds</b>	\$ 146,239
Amounts reported for governmental activities in the full accrual column are different because:	
Governmental funds report capital outlays as expenditures; however, in the full accrual column, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	18,964
Depreciation expense	(273,388)
Some employee costs (compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
	<u>(5,161)</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (113,346)</u></u>

**Note 3 - Stewardship, Compliance, and Accountability**

***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law. 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 (i.e., the level at which expenditures may not legally exceed appropriations) is the line item level. State law requires the Authority to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits entities to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. 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.

**Note 4 - Deposits and Investments (Continued)**

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 \$238,892 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. 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 \$80,926 invested in an investment pool with a weighted-average maturity of 377 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 \$80,926 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. Approximately 14 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 whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

***Investments in Entities that Calculate Net Asset Value per Share***

The Authority holds shares or interests in an investment pool whereby 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.

# Resource Recovery and Recycling Authority of Southwest Oakland County

## Notes to Financial Statements

June 30, 2018

### Note 4 - Deposits and Investments (Continued)

At June 30, 2018, 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 Local Government Investment Pool	\$ 80,926	\$ -	No restrictions	None

The Oakland County 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.

### Note 5 - Capital Assets

Capital asset activity of the Authority was as follows:

#### Governmental Activities

	Balance July 1, 2017	Additions	Disposals and Adjustments	Balance June 30, 2018
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	2,723,769	18,964	-	2,742,733
Office furniture and fixtures	14,171	-	-	14,171
Subtotal	7,083,803	18,964	-	7,102,767
Accumulated depreciation:				
Buildings	173,834	86,917	-	260,751
Machinery and equipment	228,172	183,232	-	411,404
Office furnishings	7,424	3,239	-	10,663
Subtotal	409,430	273,388	-	682,818
Net capital assets being depreciated	6,674,373	(254,424)	-	6,419,949
Net governmental activities capital assets	\$ 8,224,373	\$ (254,424)	\$ -	\$ 7,969,949

Upon termination of the MRF Operations Agreement with Republic Services, ownership of any fixed equipment installed by Republic Services 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 Republic Services-owned equipment installed during fiscal year 2015-2016 was 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.

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## Required Supplemental Information

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# Resource Recovery and Recycling Authority of Southwest Oakland County

## Required Supplemental Information Budgetary Comparison Schedule - General Administrative Fund

**Year Ended June 30, 2018**

	Original Budget	Amended Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Member contributions	\$ 330,794	\$ 330,794	\$ 330,794	\$ -
Host fees	275,000	325,000	341,913	16,913
MRF revenue sharing:				
Curbside	85,000	81,863	81,863	-
Drop-off	8,500	3,047	3,047	-
Other revenue:				
Refunds and other	5,000	31,750	32,292	542
Interest income	1,200	2,000	2,134	134
Total revenue	705,494	774,454	792,043	17,589
<b>Expenditures</b>				
Printing and publishing	21,530	26,790	26,177	(613)
Postage and mailing	20,710	19,867	17,994	(1,873)
Utilities	5,950	5,930	5,774	(156)
Transfers, distributions, and other	62,000	61,000	60,793	(207)
Salaries and benefits:				
Supervisory salaries	108,044	108,044	108,044	-
Permanent salaries	53,470	53,470	53,470	-
Overtime/Bonus/Longevity	4,478	7,636	7,635	(1)
FICA	13,402	14,342	14,230	(112)
Medical and dental insurance	68,202	64,181	64,181	-
Unemployment insurance	216	216	194	(22)
Workers' compensation	983	885	885	-
ICMA contribution	20,753	20,674	20,674	-
Supplies:				
Operating supplies	1,100	1,100	563	(537)
Office supplies	2,000	2,000	2,000	-
Professional services:				
Consulting services - Legal	10,800	11,100	11,100	-
Consulting services - Accounting	2,700	2,700	1,657	(1,043)
Contractual services	32,750	45,281	41,813	(3,468)
Drop-off expenses:				
Contractual services - Drop-off	99,000	105,500	96,700	(8,800)
Contractual services - Household hazardous waste	12,000	12,000	6,983	(5,017)
Training and travel:				
Conferences and workshops	3,000	3,000	1,362	(1,638)
Expenses and mileage	2,500	2,500	1,693	(807)
Other operating expenses:				
Magazines and periodicals	220	220	166	(54)
Membership dues	1,250	1,250	1,130	(120)
Vehicle allowance	4,800	4,800	4,800	-
Community relations	4,600	4,600	4,317	(283)
Building/Liability insurance	21,956	24,131	24,131	-
Equipment maintenance	27,831	27,880	22,530	(5,350)
Building and grounds maintenance	1,700	4,300	4,159	(141)
Office equipment rental	2,040	2,040	1,469	(571)
Computer software	260	260	97	(163)
Office equipment	500	500	275	(225)
Contingency	17,300	4,450	-	(4,450)
Capital outlay	45,000	46,000	38,808	(7,192)
Total expenditures	673,045	688,647	645,804	(42,843)
<b>Excess of Revenue Over Expenditures</b>	32,449	85,807	146,239	60,432
<b>Fund Balances - Beginning of year</b>	406,398	406,398	406,398	-
<b>Fund Balances - End of year</b>	<b>\$ 438,847</b>	<b>\$ 492,205</b>	<b>\$ 552,637</b>	<b>\$ 60,432</b>

**Resource Recovery and Recycling Authority of Southwest Oakland County**

**Note to Required Supplemental Information**

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**June 30, 2018**

***Excess of Expenditures Over Appropriations in Budgeted Funds***

During the year, the Authority's General Administrative Fund did not incur any expenditures in excess of budget.