

Resource Recovery and Recycling Authority of Southwest Oakland County

**Financial Report
with Supplemental Information
June 30, 2014**

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, 2014 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 opinion.

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

Opinion

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, 2014 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.

Emphasis of Matter

As discussed in Note 7 to the basic financial statements, during the year, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, unavailable revenue is now classified as a deferred inflow of resources rather than a liability on the modified accrual basis of accounting. Our opinion is not modified with respect to this matter.

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

December 1, 2014

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 fiscal year ended June 30, 2014. 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:

	2012	2013	2014	Current Year Change	
				Amount	Percent
Assets					
Current assets	\$ 502,228	\$ 497,457	\$ 1,270,446	\$ 772,989	155.4
Capital assets	<u>2,145,490</u>	<u>2,141,902</u>	<u>1,565,440</u>	<u>(576,462)</u>	(26.9)
Total assets	2,647,718	2,639,359	2,835,886	196,527	7.4
Liabilities					
Current liabilities	238,609	119,746	387,680	267,934	223.8
Noncurrent liabilities	<u>16,857</u>	<u>15,678</u>	<u>16,004</u>	<u>326</u>	2.1
Total liabilities	<u>255,466</u>	<u>135,424</u>	<u>403,684</u>	<u>268,260</u>	198.1
Net Position					
Investment in capital assets	2,145,490	2,141,902	1,565,440	(576,462)	(26.9)
Unrestricted	<u>246,762</u>	<u>362,033</u>	<u>866,762</u>	<u>504,729</u>	139.4
Total net position	<u>\$ 2,392,252</u>	<u>\$ 2,503,935</u>	<u>\$ 2,432,202</u>	<u>\$ (71,733)</u>	(2.9)

The Authority's combined net position decreased approximately 2.9 percent from a year ago, from \$2,503,935 to \$2,432,202. The reallocation of net position from Investment in capital assets to unrestricted relates to the MRF building fire in May 2014. This capital asset impairment reduced the carrying amount of the capital assets and replaced it with a receivable from the insurance carrier. In the current year (fiscal year 2015), the building is being restored.

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, increased by \$504,729 for the governmental activities. As discussed above, this was caused by the fire loss, and is expected to reverse itself in 2015 as the building is restored by insurance proceeds.

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	
	2012	2013	2014	Amount	Percent
Revenue					
Contributions from members	\$ 293,700	\$ 291,795	\$ 291,795	\$ -	-
MRF revenue sharing	217,868	143,299	136,532	(6,767)	(4.7)
Host fees	104,142	262,626	157,662	(104,964)	(40.0)
Interest income	762	2,677	3,538	861	32.2
Refunds and other	22,243	5,605	13,645	8,040	143.4
Insurance recovery	-	-	57,971	57,971	-
Total revenue	638,715	706,002	661,143	(44,859)	(6.4)
Expenses					
Salaries and benefits	260,704	260,118	272,697	12,579	4.8
Professional services	22,639	18,690	33,142	14,452	77.3
Other operating expenses	86,262	74,518	80,190	5,672	7.6
Drop-off expense	80,638	81,932	89,176	7,244	8.8
Revenue sharing distributed to communities	158,239	88,807	49,759	(39,048)	(44.0)
Depreciation	75,834	70,254	128,452	58,198	82.8
Fire related costs	-	-	79,460	79,460	-
Total expenses	684,316	594,319	732,876	138,557	23.3
Change in Net Position	\$ (45,601)	\$ 111,683	\$ (71,733)	\$ (183,416)	(164.2)

The MRF revenue sharing decreased in part 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 declined 40 percent due to decreased tonnage received from nonmember communities attributable to down time associated with repairs and the fire in May.

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 expenditures remained below budgeted amounts with the exception of capital repairs and fire-related expenses. It should be noted that the budget shortfall of \$222,271 in capital outlay reflects completed work for which ReCommunity Recycling has yet to be reimbursed. ReCommunity Recycling agreed to a repayment schedule out of future host fees. While that reimbursement has not yet taken place, it is reflected in FY 2013-2014 expenses since the capital improvement occurred during the year and is reflected in the financial report. The Authority's overall fund balance ended the year at 27.22 percent of expenditures.

Capital Asset Administration

As described in Note 5, at the end of 2014, the Authority had \$1,565,440 invested in a range of capital assets (net of depreciation), including machinery and equipment and office furnishings and fixtures. Of this amount, \$1,550,000 relates to land. Significant changes in the capital assets being depreciated reflect the impact of the fire that occurred in May of 2014.

Economic Factors and Next Year's Budgets and Rates

Industry experts predict that demand for recyclable materials will fluctuate through the year, ranging from mild to adequate, as the global economy continues to change. Commodity values will remain at or near current levels during the near term, with some volatility throughout the year.

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, 2014

	Balance Sheet - Modified Accrual	Accrual Adjustments (Note 2)	Statement of Net Position - Full Accrual
Assets			
Cash and cash equivalents (Note 4)	\$ 636,021	\$ -	\$ 636,021
Accounts receivable	68,549	-	68,549
Prepaid expenses	4,195	-	4,195
Insurance receivables	-	561,681	561,681
Capital assets:			
Nondepreciable capital assets (Note 5)	-	1,550,000	1,550,000
Depreciable capital assets - Net (Note 5)	-	15,440	15,440
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 708,765</u>	2,127,121	2,835,886
Liabilities			
Accounts payable	\$ 366,535	-	366,535
Salaries payable	6,879	-	6,879
Compensated absences:			
Due within one year	-	14,266	14,266
Due in more than one year	-	16,004	16,004
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	373,414	30,270	403,684
Deferred Inflows of Resources - Unavailable revenue	57,971	(57,971)	-
Equity			
Fund balance:			
Nonspendable	4,195	(4,195)	-
Unassigned	273,185	(273,185)	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	277,380	(277,380)	-
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 708,765</u>		
Net position:			
Net investment in capital assets		1,565,440	1,565,440
Unrestricted		866,762	866,762
		<u> </u>	<u> </u>
Total net position		<u>\$ 2,432,202</u>	<u>\$ 2,432,202</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, 2014

	Modified Accrual	Accrual Adjustments (Note 2)	Full Accrual
Revenue			
Contributions from members	\$ 291,795	\$ -	\$ 291,795
MRF revenue sharing	136,532	-	136,532
Host fees	157,662	-	157,662
Interest income	3,538	-	3,538
Refunds and other	13,645	-	13,645
Insurance recovery	-	57,971	57,971
	<hr/>	<hr/>	<hr/>
Total revenue	603,172	57,971	661,143
Expenditures/Expenses			
Salaries and benefits	273,743	(1,046)	272,697
Professional services	33,142	-	33,142
Supplies	3,549	-	3,549
Printing and publishing	9,936	-	9,936
Postage and mailing	12,757	-	12,757
Utilities	5,214	-	5,214
Training and travel	5,061	-	5,061
Equipment maintenance	1,330	-	1,330
Other operating expenses	42,343	-	42,343
Drop-off expenses	89,176	-	89,176
Revenue sharing distributed to communities	49,759	-	49,759
Capital outlay	413,671	(413,671)	-
Depreciation	-	128,452	128,452
Fire-related costs	79,460	-	79,460
	<hr/>	<hr/>	<hr/>
Total expenditures/expenses	1,019,141	(286,265)	732,876
Other Financing Sources - Insurance proceeds	<hr/>	<hr/>	<hr/>
	300,000	(300,000)	-
Net Change in Fund Balances/Net Position	<hr/>	<hr/>	<hr/>
	(115,969)	44,236	(71,733)
Fund Balances/Net Position - July 1, 2013	<hr/>	<hr/>	<hr/>
	393,349	2,110,586	2,503,935
Fund Balances/Net Position - June 30, 2014	<hr/>	<hr/>	<hr/>
	<u>\$ 277,380</u>	<u>\$ 2,154,822</u>	<u>\$ 2,432,202</u>

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2014

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 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 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.

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.

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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. During fiscal year 2014, the Authority had \$57,971 in deferred inflows of resources which related to grant reimbursement funding that was not received within the 45-day period of availability.

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2014

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, 2014

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	\$ 277,380
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	1,565,440
Receivables related to insurance recoveries for capital assets destroyed by fire damage are not reported in the funds	561,681
Receivables related to insurance recoveries for out-of-pocket costs incurred for securing damaged building site and fire department billings that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	57,971
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>(30,270)</u>
Net Position - Full Accrual Basis	<u>\$ 2,432,202</u>

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2014

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 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 \$ (115,969)

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	413,671
Depreciation expense	(128,452)

Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 45 days of year end	57,971
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Insurance revenue recorded on the modified accrual basis that is recorded as a reduction in impairment loss on the full accrual basis	(300,000)
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Decrease 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	1,046
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Change in Net Position of Governmental Activities	\$ (71,733)
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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.

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2014

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 \$88,340 in 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.

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 \$205,802 invested in an investment pool with a weighted average maturity of 646 days.

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2014

Note 4 - 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 has no investment policy that would further limit its investment choices. As of year end, the Authority held \$256,952 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 32 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 LGIP is managed as a 2(a)7 fund with its net asset value maintained at \$1. Fair value of the position in the pool is the same as the value of the pool shares.

Note 5 - Capital Assets

Capital asset activity was as follows:

Governmental Activities	Balance July 1, 2013	Additions	Disposals and Adjustments	Balance June 30, 2014
Capital assets not being depreciated - Land (MRF site)	\$ 1,550,000	\$ -	\$ -	\$ 1,550,000
Capital assets being depreciated:				
Building	500,000	-	(500,000)	-
Machinery and equipment	791,343	413,671	(1,184,259)	20,755
Office furnishings and fixtures	59,479	-	(52,902)	6,577
Subtotal	1,350,822	413,671	(1,737,161)	27,332
Accumulated depreciation:				
Building	50,000	10,000	(60,000)	-
Machinery and equipment	654,764	116,744	(765,221)	6,287
Office furnishings and fixtures	54,156	1,708	(50,259)	5,605
Subtotal	758,920	128,452	(875,480)	11,892
Net capital assets being depreciated	591,902	285,219	(861,681)	15,440
Net capital assets	\$ 2,141,902	\$ 285,219	\$ (861,681)	\$ 1,565,440

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets (Continued)

The land, building, and machinery and equipment were all donated to the Authority. The donations were comprised of a \$500,000 state grant, received in 1994, that was used to purchase machinery and equipment. In addition, the former operator donated \$1,550,000 in land at the initiation of its MRF contract in 1994 as well as \$320,000 in machinery and equipment upon the expiration of its contract in 2008.

Upon termination of the MRF operating agreement in 2023, ownership of the retrofit equipment installed in 2011 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 equipment is approximately \$4.5 million).

On May 27, 2014, a fire at the MRF caused extensive damage to the building and equipment, leaving the facility out of operation. The repair estimate for the building approved by the Authority's insurance carrier is \$4,286,800. Total replacement value for the building has been estimated at \$5,192,850. The replacement cost for office furnishings approved by the insurance carrier is \$59,151. At this time, no approved settlement for the processing equipment has been received. The Authority estimates total replacement value of Authority-owned processing equipment to be \$2,745,385. Since not all of the equipment is beyond repair, the Authority estimates that the repair and replacement cost is \$2,226,546.

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.

Note 7 - Change in Accounting

During the current year, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or outflows of resources.

As a result of implementing this statement, the following liability have been reclassified, as indicated:

Item	Amount	Prior Reporting Classification/Treatment	New Classification After Adoption of GASB 65
Revenue in General Fund not collected within 45 days of year end	\$ 57,971	Liability	Deferred inflow of resources

Required Supplemental Information

Resource Recovery and Recycling Authority of Southwest Oakland County

Required Supplemental Information Budgetary Comparison Schedules Year Ended June 30, 2014

Budgetary Presentation

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 Adjustment	Total Modified Accrual
Total revenue	\$ 238,644	\$ 364,528	\$ 300,000	\$ (300,000)	\$ 603,172
Total expenditures	<u>(240,515)</u>	<u>(689,959)</u>	<u>(88,667)</u>	<u>-</u>	<u>(1,019,141)</u>
Excess of revenue (under) over expenditures	(1,871)	(325,431)	211,333	(300,000)	(415,969)
Other financing sources	-	-	-	300,000	300,000
Fund balance - Beginning of year	<u>90,718</u>	<u>302,631</u>	<u>-</u>	<u>-</u>	<u>393,349</u>
Fund balance - End of year	<u>\$ 88,847</u>	<u>\$ (22,800)</u>	<u>\$ 211,333</u>	<u>\$ -</u>	<u>\$ 277,380</u>

Resource Recovery and Recycling Authority of Southwest Oakland County

Required Supplemental Information Budgetary Comparison Schedule - General Administrative Fund Year Ended June 30, 2014

	Current Year				Over (Under) Amended Budget
	Prior Year	Amended		Actual	
	Actual	Original Budget	Budget	Actual	
Revenue					
Member contributions	\$ 224,009	\$ 224,009	\$ 224,009	\$ 224,009	\$ -
Interest income	750	500	500	990	490
Other	5,605	12,000	12,000	13,645	1,645
Total revenue	230,364	236,509	236,509	238,644	2,135
Expenditures					
Supervisory salaries	51,283	54,970	55,410	55,409	(1)
Permanent salaries	54,522	58,175	58,175	57,952	(223)
Overtime	4,637	4,855	4,855	4,855	-
FICA	9,352	9,291	9,664	9,663	(1)
Medical and dental insurance	38,634	43,027	43,773	43,773	-
Unemployment insurance	235	237	237	237	-
Workers' compensation	729	740	847	740	(107)
ICMA contribution	11,641	12,571	12,571	12,523	(48)
Operating supplies	478	1,000	750	652	(98)
Office supplies	3,383	3,500	3,500	2,293	(1,207)
Postage and mailing	1,313	2,000	1,000	681	(319)
Magazines and periodicals	971	1,200	800	404	(396)
Books	-	100	-	-	-
Audit	7,500	7,500	7,800	7,800	-
Consulting services - Legal	-	-	1,220	1,220	-
Membership dues	816	1,047	1,070	1,070	-
Contractual services	9,090	9,519	15,804	14,955	(849)
Telephone	3,514	3,514	3,358	3,358	-
Vehicle allowance	4,800	4,800	4,800	4,800	-
Community relations	3,400	3,000	2,640	2,140	(500)
Printing and publishing	386	1,650	700	610	(90)
Equipment maintenance	229	250	365	365	-
Building and grounds maintenance	644	500	6,500	6,486	(14)
Office equipment rental	3,035	3,120	2,400	2,292	(108)
Conferences and workshops	2,472	2,500	2,100	1,472	(628)
Expenses and mileage	2,494	2,500	2,500	2,370	(130)
Education and training	-	500	-	-	-
Computer software	154	380	495	480	(15)
Office equipment	626	630	1,920	1,915	(5)
Contingency	-	4,000	-	-	-
Total expenditures	216,338	237,076	245,254	240,515	(4,739)
Excess of Revenue Over (Under) Expenditures	14,026	\$ (567)	\$ (8,745)	(1,871)	\$ 6,874
Fund Balance - Beginning of year	76,692			90,718	
Fund Balance - End of year	\$ 90,718			\$ 88,847	

Resource Recovery and Recycling Authority of Southwest Oakland County

Required Supplemental Information Budgetary Comparison Schedule - MRF - Operations Year Ended June 30, 2014

	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	1,927	1,600	1,600	2,548	948
Revenue sharing:					
Curbside	122,629	95,700	118,000	120,690	2,690
Drop-off	20,670	16,800	15,000	15,842	842
Host fees	262,626	169,400	157,662	157,662	-
Total revenue	475,638	351,286	360,048	364,528	4,480
Expenditures					
Supervisory salaries	45,347	44,975	45,335	45,335	-
Permanent salaries	16,155	14,332	14,332	14,277	(55)
FICA	5,536	4,868	5,183	5,183	-
Medical and dental insurance	13,122	14,432	14,803	14,802	(1)
Unemployment insurance	102	102	102	102	-
Workers' compensation	357	364	343	303	(40)
ICMA contribution	7,900	8,622	8,622	8,589	(33)
Operating supplies	-	400	-	-	-
Office supplies	-	900	-	-	-
Postage and mailing	12,272	15,864	14,889	12,073	(2,816)
Audit	2,100	2,100	2,100	2,100	-
Consulting services - Engineers	-	-	-	-	-
Consulting services - Legal	-	-	-	-	-
Consulting services - Accounting	-	-	-	-	-
Drop-off	81,932	79,850	90,000	89,176	(824)
Contractual services - Scales	-	-	-	-	-
Telephone	1,841	2,000	2,000	1,856	(144)
Printing and publishing	11,494	11,749	11,205	8,816	(2,389)
Building and liability insurance	17,269	20,000	21,037	21,037	-
Equipment maintenance	1,602	1,750	1,335	1,330	(5)
Conferences and workshops	945	1,000	1,000	1,000	-
Expenses and mileage	57	500	500	23	(477)
Office equipment	323	1,250	650	527	(123)
Capital outlay	66,666	105,500	191,400	413,671	222,271
Contingency	-	5,000	-	-	-
Revenue sharing distributed to communities	88,807	50,100	49,759	49,759	-
Total expenditures	373,827	385,658	474,595	689,959	215,364
Excess of Revenue Over (Under) Expenditures	101,811	\$ (34,372)	\$ (114,547)	(325,431)	\$ (210,884)
Fund Balance - Beginning of year	200,820			302,631	
Fund Balance - End of year	\$ 302,631			\$ (22,800)	

Resource Recovery and Recycling Authority of Southwest Oakland County

Required Supplemental Information Budgetary Comparison Schedule - MRF - Recovery Year Ended June 30, 2014

	Current Year				Over (Under) Amended Budget
	Prior Year	Amended		Actual	
	Actual	Original Budget	Budget		
Revenue - Miscellaneous income - Insurance	\$ -	\$ -	\$ 300,000	300,000	\$ -
Expenditures					
Office supplies	-	-	1,000	604	(396)
Postage and mailing	-	-	50	3	(47)
Consulting services - Engineers	-	-	5,000	-	(5,000)
Consulting services - Legal	-	-	10,000	3,274	(6,726)
Consulting services - Accounting	-	-	10,000	3,793	(6,207)
Printing and publishing	-	-	575	510	(65)
Equipment maintenance	-	-	200	200	-
Mileage/Expenses	-	-	300	196	(104)
Office equipment	-	-	1,000	627	(373)
Fire-related costs*	-	-	-	79,460	79,460
Total expenditures	-	-	28,125	88,667	60,542
Excess of Revenue Over (Under) Expenditures	-	\$ -	\$ 271,875	211,333	\$ (60,542)
Fund Balance - Beginning of year	-			-	
Fund Balance - End of year	<u>\$ -</u>			<u>\$ 211,333</u>	

* Fire-related costs pertain to expenses incurred to secure the building site of \$52,971 and City of Southfield Fire Department expenses of \$26,489. These amounts were billed after year end and without an opportunity for the board to amend budgeted expenses.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Authority incurred capital outlay expenditures that were in excess of the amounts budgeted for in the MRF - Operations Fund in the amount of \$222,271. In addition, the Authority incurred fire-related expenditures that were in excess of the amounts budgeted for in the MRF - Recovery Fund.