

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

**Financial Report
with Supplemental Information
June 30, 2012**

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

We have audited the accompanying basic financial statements of the General fund and the governmental activities (modified accrual and full accrual columns, respectively) of Resource Recovery and Recycling Authority of Southwest Oakland County (the "Authority") as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Resource Recovery and Recycling Authority of Southwest Oakland County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund and the governmental activities of Resource Recovery and Recycling Authority of Southwest Oakland County as of June 30, 2012 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that 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.

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

July 27, 2012

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

July 27, 2012

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 (the "Authority" or RRRASOC) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2012. 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 year:

	Year Ended June 30			Current Year Change	
	2010	2011	2012	Amount	Percent
Assets					
Current assets	\$ 484,161	\$ 461,126	\$ 502,228	\$ 41,102	8.9
Capital assets	<u>2,228,143</u>	<u>2,152,351</u>	<u>2,145,490</u>	<u>(6,861)</u>	(0.3)
Total assets	2,712,304	2,613,477	2,647,718	34,241	1.3
Liabilities					
Current liabilities	117,219	160,799	238,609	77,810	48.4
Noncurrent liabilities	<u>19,435</u>	<u>14,825</u>	<u>16,857</u>	<u>2,032</u>	13.7
Total liabilities	<u>136,654</u>	<u>175,624</u>	<u>255,466</u>	<u>79,842</u>	45.5
Net Assets					
Invested in capital assets	2,228,143	2,152,351	2,145,490	(6,861)	(0.3)
Unrestricted	<u>347,507</u>	<u>285,502</u>	<u>246,762</u>	<u>(38,740)</u>	(13.6)
Total net assets	<u>\$2,575,650</u>	<u>\$2,437,853</u>	<u>\$2,392,252</u>	<u>\$ (45,601)</u>	(1.9)

The Authority's combined net assets decreased approximately 1.9 percent from a year ago, from \$2,437,853 to \$2,392,252.

Resource Recovery and Recycling Authority of Southwest Oakland County

Management's Discussion and Analysis (Continued)

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased by \$38,740 for the governmental activities. This represents a decrease of approximately 13.6 percent. The current level of unrestricted net assets for our governmental activities stands at \$246,762, or about 36.1 percent, of expenses.

The following table shows the changes of the net assets during the current year as compared to the prior year:

	Year Ended June 30			Current Year Change	
	2010	2011	2012	Amount	Percent
Revenue					
Contributions from members	\$ 301,429	\$ 293,700	\$ 293,700	\$ -	-
MRF revenue sharing	87,407	194,041	217,868	23,827	12.3
Host fees	50,000	50,000	104,142	54,142	108.3
Interest income	1,364	879	762	(117)	(13.3)
Contribution of MRF facility	-	-	-	-	-
Refunds and other	878	2,343	22,243	19,900	849.3
Total revenue	441,078	540,963	638,715	97,752	18.1
Expenses					
Salaries and benefits	265,943	262,520	260,704	(1,816)	(0.7)
Professional services	32,622	24,296	22,639	(1,657)	(6.8)
Other operating expenses	115,651	104,650	86,262	(18,388)	(17.6)
Drop-off expense	70,671	74,102	80,638	6,536	8.8
Revenue sharing distributed to communities	78,417	137,400	158,239	20,839	15.2
Depreciation	75,972	75,792	75,834	42	0.1
Total expenses	639,276	678,760	684,316	5,556	0.8
Change in Net Assets	\$ (198,198)	\$ (137,797)	\$ (45,601)	\$ 92,196	(66.9)

The MRF revenue sharing increased as a result of a continued rise 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.

As a result of the increased revenue-sharing revenue, the Authority was able to return more revenue to the member communities, resulting in increased other operating expenses.

The Authority was able to achieve excellent results in keeping its other costs down.

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 and the Materials Recovery Facility Fund. For financial statement reporting purposes, the two funds are combined into a single modified accrual fund.

Budgetary Highlights

Overall, Authority expenditures exceeded the budgeted amount by \$2,978. Expenditures included more than \$6,011 in unbudgeted revenue sharing distributed to member communities, reflecting the strong market for recyclable material and associated receipts \$8,263 greater than anticipated. Total revenue exceeded the budgeted amount by \$25,110. The overall fund balance remains at a healthy level. The Authority's fund balance at the beginning of the fiscal year represented 43.7 percent of actual expenditures, with \$33,444 of that fund balance being utilized in a planned fashion so as to allow for no increase in member contributions. The overall fund balance ended the year at 39.0 percent of actual expenditures.

Capital Asset Administration

As described in Note 5, at the end of 2012, the Authority had \$2,145,490 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 originally purchased by Waste Management, Inc. during the year ended June 30, 1994. The land has been deeded to the Authority and the Authority worked with the materials recovery facility (MRF) operator (Waste Management, Inc.) to set rates charged by the operator to residents of member communities such that the costs incurred by the operator to purchase the land and approximately 20 percent of its costs to purchase the MRF were recovered within a 15-year period.

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 facilitate. Commodity values will remain at or near current levels during the near term, with some volatility throughout the year. Additionally, the Authority continues to take steps to contain and/or reduce costs in various areas, as well as explore opportunities for revenue enhancement and diversification.

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 Assets and Governmental Funds Balance Sheet June 30, 2012

	Balance Sheet - Modified Accrual	Accrual Adjustments	Statement of Net Assets - Full Accrual
Assets			
Current Assets			
Cash and cash equivalents (Note 4)	\$ 456,538	\$ -	\$ 456,538
Accounts receivable	39,327	-	39,327
Prepaid expenses	6,363	-	6,363
Total current assets	502,228	-	502,228
Other Assets			
Nondepreciable capital assets (Note 5)	-	1,550,000	1,550,000
Depreciable capital assets - Net (Note 5)	-	595,490	595,490
Total assets	<u>\$ 502,228</u>	2,145,490	2,647,718
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 217,417	-	217,417
Salaries payable	7,299	-	7,299
Compensated absences:			
Due within one year	-	13,893	13,893
Due in more than one year	-	16,857	16,857
Total liabilities	224,716	30,750	255,466
Fund Balance			
Nonspendable	6,363	(6,363)	
Unassigned	271,149	(271,149)	
Total fund balance	277,512	(277,512)	
Total liabilities and fund balance	<u>\$ 502,228</u>		
Net Assets			
Invested in capital assets		2,145,490	2,145,490
Unrestricted		246,762	246,762
Total net assets		<u>\$ 2,392,252</u>	<u>\$ 2,392,252</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Resource Recovery and Recycling Authority of Southwest Oakland County

Statement of Activities and Governmental Funds Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2012

	Modified Accrual	Accrual Adjustments	Full Accrual
Revenue			
Contributions from members	\$ 293,700	\$ -	\$ 293,700
MRF revenue sharing	217,868	-	217,868
Host fees	104,142	-	104,142
Interest income	762	-	762
Refunds and other	22,243	-	22,243
Total revenue	638,715	-	638,715
Expenses			
Salaries and benefits	255,408	5,296	260,704
Professional services	22,639	-	22,639
Supplies	5,787	-	5,787
Printing and publishing	14,414	-	14,414
Postage and mailing	21,196	-	21,196
Utilities	5,049	-	5,049
Training and travel	4,131	-	4,131
Equipment maintenance	2,731	-	2,731
Other operating expenses	34,762	(2,415)	32,347
Drop-off expenses	80,638	-	80,638
Revenue sharing distributed to communities	158,239	-	158,239
Capital outlay	107,165	(107,165)	-
Depreciation	-	75,834	75,834
Total expenses	712,159	(28,450)	683,709
Excess of Expenditures Over Revenue	(73,444)	28,450	(44,994)
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	40,000	(40,000)	-
Loss on disposal of capital assets	-	(607)	(607)
Total other financing sources (uses)	40,000	(40,607)	(607)
Shortfall	(33,444)	(12,157)	(45,601)
Fund Balance/Net Assets - July 1, 2011	310,956	2,126,897	2,437,853
Fund Balance/Net Assets - June 30, 2012	<u>\$ 277,512</u>	<u>\$ 2,114,740</u>	<u>\$ 2,392,252</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies

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 Authority 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 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.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2012

Note I - Summary of Significant Accounting Policies (Continued)

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.

Assets, Liabilities, and Net Assets 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 the modified accrual and full accrual columns.

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 columns. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2012

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.
- Assigned - Intent to spend resources on specific purposes expressed by the governing body

Upcoming Reporting Changes - In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the Authority's 2012-2013 fiscal year.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued in December 2010. This statement incorporates into the GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the Authority's 2012-2013 fiscal year.

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the Authority's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements "deferred outflows of resources" and "deferred inflows of resources." GASB Statement No. 65 will be implemented for the Authority as of fiscal year 2013-2014.

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

As discussed in Note 1, the Authority's financial statements are presented on the modified accrual basis of accounting and are also presented on the full accrual basis. The following is a reconciliation of fund balance on the modified accrual basis of accounting to net assets presented on the full accrual basis:

Total Fund Balance - Modified Accrual Basis	\$ 277,512
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	2,145,490
Compensated absences are long-term liabilities and are not reported in the funds	<u>(30,750)</u>
Total Net Assets - Full Accrual Basis	<u>\$ 2,392,252</u>

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2012

Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

The following is a reconciliation of the changes in fund balance on the modified accrual basis to the change in net assets on the full accrual basis:

Net Change in Fund Balance - Modified Accrual Basis	\$ (73,444)
Amounts reported in the statement of net assets are different because:	
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(5,296)
Capital assets used in governmental activities are not considered financial resources; as such, depreciation recorded on those assets is not considered an activity of the funds	(75,834)
Governmental funds report capital outlays as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation	<u>109,580</u>
Change in Net Assets of Governmental Activities	<u>\$ (44,994)</u>

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.

Excess of Expenditures Over Appropriations in Budgeted Funds - In the Materials Recovery Facility Fund, revenue sharing distributed to communities expenditures exceeded the budget by \$6,011 due to greater than budgeted revenue-sharing revenue. Total revenue-sharing revenue exceeded the budgeted amount in that fund by \$8,263. Also in the Materials Recovery Facility Fund, drop-off expenditures exceeded the budget by \$4,539 due to an adjustment for expenses at the beginning of the fiscal year.

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2012

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 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. Resource Recovery and Recycling Authority of Southwest Oakland County's deposits and investment policies are in accordance with statutory authority.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had 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 risk level are used as depositories.

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2012

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 \$250,237 invested in an investment pool with a weighted average maturity of 319 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 \$301,339 in investment pools that were not rated.

Note 5 - Capital Assets

Capital asset activity was as follows:

	Balance July 1, 2011	Additions	Disposals and Adjustments	Balance June 30, 2012
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	820,000	107,165	200,000	727,165
Office furnishings and fixtures	57,611	2,415	3,035	56,991
Subtotal	1,377,611	109,580	203,035	1,284,156
Accumulated depreciation:				
Building	30,000	10,000	-	40,000
Machinery and equipment	691,998	64,000	160,000	595,998
Office furnishings and fixtures	53,262	1,834	2,428	52,668
Subtotal	775,260	75,834	162,428	688,666
Net capital assets being depreciated	602,351	33,746	40,607	595,490
Net capital assets	<u>\$ 2,152,351</u>	<u>\$ 33,746</u>	<u>\$ 40,607</u>	<u>\$ 2,145,490</u>

Resource Recovery and Recycling Authority of Southwest Oakland County

Notes to Financial Statements June 30, 2012

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).

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 four fiscal years.

Required Supplemental Information

Resource Recovery and Recycling Authority of Southwest Oakland County

Required Supplemental Information Budgetary Comparison Schedules Year Ended June 30, 2012

Budgetary Presentation

For budgetary purposes, the Authority budgets the general administrative activities separately from the material recovery facilities activity.

- a. The General Administrative Fund accounts for all financial activity that is not otherwise accounted for in the Materials Recovery Facility Fund.
- b. The Materials Recovery Facility 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.

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

	General Administrative	Materials Recovery Facility	Total Modified Accrual
Total revenue	\$ 229,286	\$ 409,429	\$ 638,715
Total expenditures	<u>(224,325)</u>	<u>(487,834)</u>	<u>(712,159)</u>
Excess of expenditures over revenue	4,961	(78,405)	(73,444)
Other financing sources	-	40,000	40,000
Fund balance - Beginning of year	<u>71,731</u>	<u>239,225</u>	<u>310,956</u>
Fund balance - End of year	<u><u>\$ 76,692</u></u>	<u><u>\$ 200,820</u></u>	<u><u>\$ 277,512</u></u>

Resource Recovery and Recycling Authority of Southwest Oakland County

Required Supplemental Information Budgetary Comparison Schedule - General Administrative Fund Year Ended June 30, 2012

	Current Year				
	Prior Year Actual	Original Budget	Amended Budget	Actual	Over (Under)
					Amended Budget
Revenue					
Member contributions	\$ 223,405	\$ 223,405	\$ 223,405	\$ 223,405	\$ -
Interest income	263	500	300	431	131
Other	2,343	500	4,000	5,450	1,450
Total revenue	226,011	224,405	227,705	229,286	1,581
Expenditures					
Supervisory salaries	53,892	53,892	53,892	53,792	(100)
Permanent salaries	66,521	57,034	57,338	57,337	(1)
Overtime	4,284	4,457	4,457	4,037	(420)
FICA	10,037	9,185	9,235	9,234	(1)
Medical and dental insurance	31,599	34,469	35,215	35,215	-
Unemployment insurance	125	125	233	233	-
Workers' compensation	745	715	715	715	-
ICMA contribution	12,081	11,686	11,686	11,641	(45)
Operating supplies	1,000	1,000	1,000	1,000	-
Office supplies	2,506	3,500	3,500	3,500	-
Postage and mailing	971	2,000	1,800	929	(871)
Magazines and periodicals	875	875	1,108	1,108	-
Books	-	100	100	-	(100)
Audit	7,250	7,500	7,500	7,500	-
Consulting services - Engineers	-	250	-	-	-
Consulting services - Legal	-	750	2,900	2,805	(95)
Consulting services - Accounting	-	250	-	-	-
Membership dues	680	1,058	1,047	877	(170)
Contractual services	15,146	11,095	10,393	10,484	91
Telephone	3,114	3,114	3,178	3,108	(70)
Vehicle allowance	4,800	4,800	4,800	4,800	-
Community relations	220	2,500	3,931	3,931	-
Printing and publishing	990	1,650	1,650	1,414	(236)
Building and liability insurance	-	500	-	-	-
Equipment maintenance	-	250	250	250	-
Building and grounds maintenance	250	250	285	281	(4)
Office equipment rental	2,899	3,120	3,120	2,887	(233)
Conferences and workshops	2,500	2,500	2,500	1,991	(509)
Expenses and mileage	1,609	2,500	2,500	2,140	(360)
Education and training	2,000	2,000	500	-	(500)
Computer software	125	100	380	342	(38)
Office equipment	725	1,000	2,800	2,774	(26)
Contingency	-	4,000	132	-	(132)
Total expenditures	226,944	228,225	228,145	224,325	(3,820)
Excess of Revenue (Under) Over Expenditures	(933)	\$ (3,820)	\$ (440)	4,961	\$ 5,401
Fund Balance - Beginning of year	72,664			71,731	
Fund Balance - End of year	\$ 71,731			\$ 76,692	

Resource Recovery and Recycling Authority of Southwest Oakland County

Required Supplemental Information Budgetary Comparison Schedule - Materials Recovery Facility Year Ended June 30, 2012

	Current Year				
	Prior Year	Original	Amended	Actual	Over (Under)
	Actual	Budget	Budget	Actual	Amended Budget
Revenue					
Member contributions	\$ 70,295	\$ 70,295	\$ 70,295	\$ 70,295	\$ -
Interest income	616	1,000	1,000	331	(669)
Revenue sharing:					
Curbside	162,494	104,000	181,160	188,580	7,420
Drop-off	31,547	18,000	28,445	29,288	843
Host fees	50,000	50,000	89,000	104,142	15,142
Grant revenue, refunds, and other	-	-	16,000	16,793	793
Total revenue	314,952	243,295	385,900	409,429	23,529
Expenditures					
Supervisory salaries	44,093	44,093	44,093	43,665	(428)
Permanent salaries	18,116	14,051	14,217	14,216	(1)
FICA	5,238	4,841	4,890	4,890	-
Medical and dental insurance	11,042	11,561	12,102	12,089	(13)
Unemployment insurance	53	54	98	98	-
Workers' compensation	192	357	357	346	(11)
ICMA contribution	8,134	7,930	7,930	7,900	(30)
Operating supplies	382	400	400	387	(13)
Office supplies	-	900	900	900	-
Postage and mailing	13,164	13,862	20,270	20,267	(3)
Audit	1,900	1,900	1,900	1,850	(50)
Consulting services - Engineers	-	1,000	-	-	-
Consulting services - Legal	-	4,000	-	-	-
Consulting services - Accounting	-	500	-	-	-
Drop-off	74,102	75,200	76,099	80,638	4,539
Telephone	1,621	1,800	2,000	1,941	(59)
Printing and publishing	5,135	8,685	13,897	13,000	(897)
Building and liability insurance	16,715	17,472	17,048	17,048	-
Equipment maintenance	42,121	37,150	2,692	2,731	39
Conferences and workshops	248	1,000	1,000	-	(1,000)
Expenses and mileage	-	500	500	-	(500)
Office equipment	-	1,250	1,250	464	(786)
Capital outlay	-	-	107,165	107,165	-
Contingency	-	5,000	-	-	-
Revenue sharing distributed to communities	137,400	67,500	152,228	158,239	6,011
Total expenditures	379,656	321,006	481,036	487,834	6,798
Excess of Expenditures Over Revenue	(64,704)	(77,711)	(95,136)	(78,405)	16,731
Other Financing Sources - Proceeds					
from sale of capital assets	-	-	40,000	40,000	-
Net Change in Fund Balance	(64,704)	\$ (77,711)	\$ (55,136)	(38,405)	\$ 16,731
Fund Balance - Beginning of year	303,929			239,225	
Fund Balance - End of year	\$ 239,225			\$ 200,820	