

Reset Form

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Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name	Delta Solid Waste Management Authority	County	DELTA	Type	AUTHORITY	MuniCode	21-7-502
Opinion Date-Use Calendar	Jun 30, 2008	Audit Submitted-Use Calendar	Jun 30, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- 5. Did the local unit adopt a budget for all required funds?
- 6. Was a public hearing on the budget held in accordance with State statute?
- 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- 12. Is the local unit free of repeated reported deficiencies from previous years?
- 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it?
- 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- 18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text"/>
General Fund Expenditure:	<input type="text"/>
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="text"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Raymond	Last Name	LaMarche	Ten Digit License Number	1101025531				
CPA Street Address	901 Ludington Street	City	Escanaba	State	MI	Zip Code	49829	Telephone	+1 (906) 786-3111
CPA Firm Name	Anderson, Tackman & Comp	Unit's Street Address	5701 19 Ave. North	City	Escanaba	LU Zip	49829		

DELTA SOLID WASTE MANAGEMENT AUTHORITY

FINANCIAL STATEMENTS

December 31, 2007

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	2
Statement of Net Assets.....	7
Statement of Revenues, Expenses, and Changes in Net Assets.....	9
Statement of Cash Flows.....	11
Notes to Financial Statements.....	12



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Delta Solid Waste Management Authority

We have audited the accompanying financial statements of the Delta Solid Waste Management Authority as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delta Solid Waste Management Authority, as of December 31, 2007, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Anderson, Tackman & Company P.C.

Certified Public Accountants

June 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Delta Solid Waste Management Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

Business-Type Activities – The Delta Solid Waste Management Authority was incorporated in 1984 for the purpose of providing landfill services to the citizens and local units of government in Delta County. In 1993 the Authority started recycling operations and in 1997 began the Household Hazardous Waste collection program.

- **Net Assets** – The net assets of the Authority decreased \$856,956 during the fiscal year due to operating losses of \$904,975 less net non-operating revenues and expenses of \$48,019.
- **Operating Income** - The Authority generated \$856,956 in net losses for the fiscal year compared to a net income of \$270,831 for 2006.
 - The Authority had operating revenues of \$1,685,651, composed of charges to local units of government (28%), private contractors (33%), corporate accounts (15%), cash sales (13%), recycling income (8%) and miscellaneous charges (3%). All revenue types for fiscal year 2007 were materially consistent with fiscal year 2006.
 - Operating expenses amounted to \$2,590,626 during 2007, representing a 66% increase from the 2006 level of \$1,557,804. The most significant variances comprising this increase are as follows:
 - Recognition of landfill closure and post-closure care costs recognized in the current year of \$1,236,500 was significantly higher compared to \$182,800 in the prior year due to a new estimate on closure and post-closure care in the current year, which was much higher than the previous estimate;
 - Remaining expense categories were fairly consistent with the prior year.
- **Cash Flow** - Converting the operating income to a cash basis requires adjustments for non-cash transactions (principally depreciation and closure and post-closure care costs) which reveals that current year operations produced a decrease in cash of \$329,394, which was primarily due to engineering expenses for future landfill expansion and the purchase of heavy equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements that present the financial position and results of operations for Delta Solid Waste Management Authority on a stand-alone basis.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

One of the most important questions asked about the Authority's finances is, "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information in a way that helps answer this question. These two statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in them. The Authority's net assets – the difference between assets and liabilities – are one way to measure the financial health, or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors, however, such as changes in the condition of the Authority's facilities and equipment, need to be considered to assess the overall health of the Authority.

FINANCIAL ADMINISTRATION

The Authority's net assets decreased by \$856,956.

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 3,372,080	\$ 3,738,005	\$ (365,925)	-9.8%
Capital assets	3,883,033	3,273,729	609,304	18.6%
Total assets	<u>7,255,113</u>	<u>7,011,734</u>	<u>243,379</u>	<u>3.5%</u>
Current liabilities:				
Other liabilities	4,994,047	3,688,712	1,305,335	35.4%
Current portion of long-term debt	220,000	205,000	15,000	7.3%
Long-term debt	<u>2,495,000</u>	<u>2,715,000</u>	<u>(220,000)</u>	<u>-8.1%</u>
Total liabilities	<u>7,709,047</u>	<u>6,608,712</u>	<u>1,100,335</u>	<u>16.6%</u>
Net assets:				
Invested in capital assets, net of related debt	1,168,033	362,540	805,493	222.2%
Restricted	604,164	550,300	53,864	9.8%
Unrestricted	<u>(2,226,131)</u>	<u>(509,818)</u>	<u>(1,716,313)</u>	<u>336.7%</u>
Total net assets	<u>\$ (453,934)</u>	<u>\$ 403,022</u>	<u>\$ (856,956)</u>	<u>-212.6%</u>

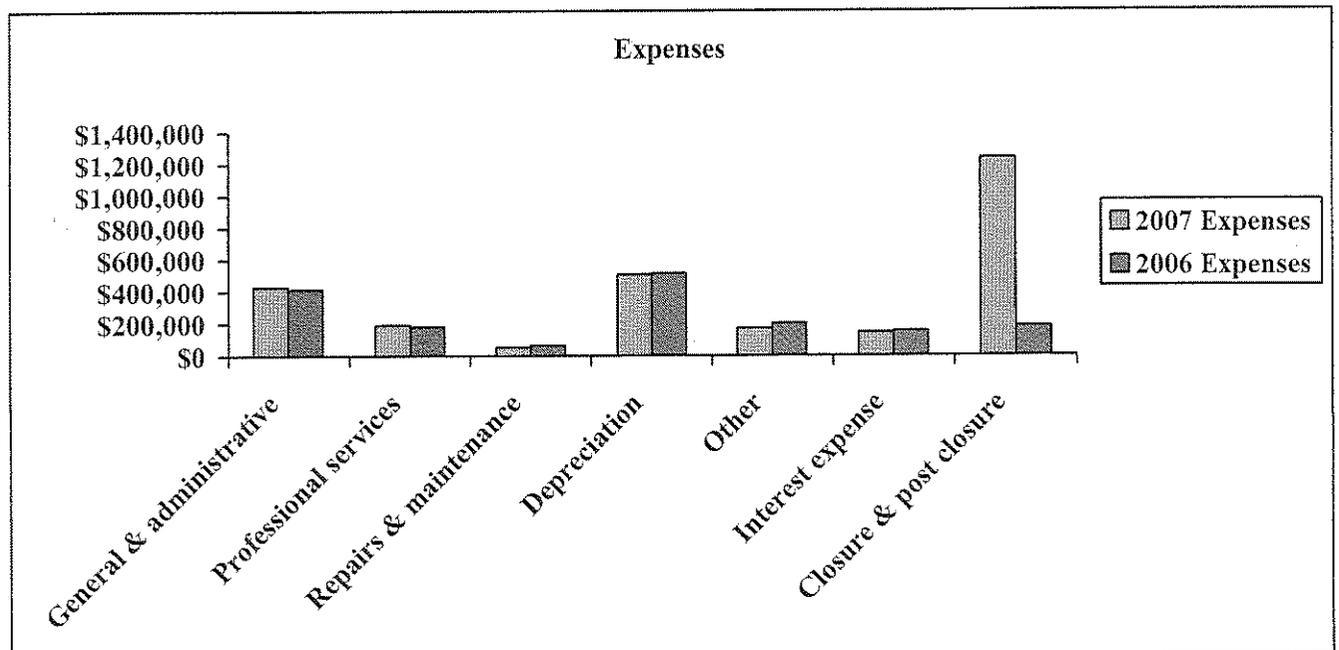
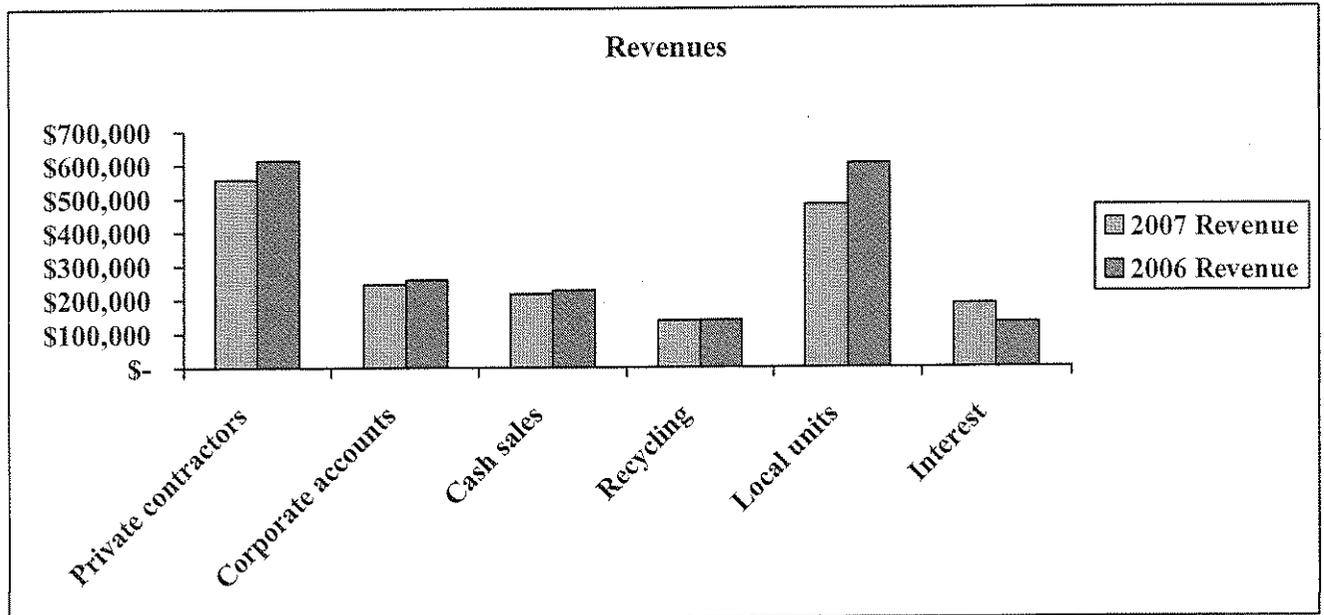
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Authority's net assets decreased by \$856,956 during the year due to a combination of two primary factors as follows:

- The Authority paid down \$205,000 of long-term debt, bonds are our only debt.
- The Authorities landfill closure and post-closure care expense increased by \$1,053,700 due to a new engineer estimate on closure and post-closure costs, which was significantly higher than the previous estimate.

Business-Type Activities – Categorical Analysis

A comparison of revenue and expense for 2007 and 2006 is presented in the bar charts below.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities – Functional Analysis

In the current year the Authority had a net loss of \$856,956. The Authority experienced a decrease in operating revenue of approximately 8.5% and an increase in operating expenses of 66%. The Authority is required to recognize closure and post-closure costs associated with the closing and future monitoring of the landfill. Each year as the capacity of the landfill is reduced, a proportionate amount of the estimated closure and post-closure costs must be recognized in the financial statements of the Authority as an expense. In 2007, closure and post-closure costs of \$1,236,500 were recognized as an expense in the financial statements. In 2006, closure and post-closure costs of \$182,800 were recognized as an expense in the financial statements.

Closure and post-closure costs have been estimated to be \$2,500,000 and \$3,270,000, respectively. These costs are based on engineering estimates and could change based upon changes in environmental laws, technology and inflation. Of the total \$5,770,000 closure and post-closure care costs, \$4,846,800 or 84% of the total costs have been recognized as of December 31, 2007.

CAPITAL ASSET AND DEBT ADMINISTRATION

- Capital Assets – At December 31, 2007, the Authority has \$3,883,033 invested in a broad range of capital assets including buildings, equipment, and landfill cell construction. The following table presents the changes in the Authority's capital assets compared to last year:

	Balance 01/01/07	Additions	Deductions	Balance 12/31/07
Business-type Activities:				
Land	\$ 684,810	\$ 454,721	\$ (1,000)	\$ 1,138,531
Buildings & improvements	896,892	4,805	-	901,697
Landfill cells/improvement	5,984,161	24,938	-	6,009,099
Machinery & equipment	1,405,856	632,152	(57,634)	1,980,374
Leasehold improvements	65,180	-	-	65,180
Accumulated depreciation	(5,763,170)	(506,312)	57,634	(6,211,848)
	<u>\$ 3,273,729</u>	<u>\$ 155,583</u>	<u>\$ -</u>	<u>\$ 3,883,033</u>

In Land above, the \$454,721 addition was land improvements to expand the capacity for future operations of the landfill.

The Machinery & Equipment addition was for vehicles used for the landfill operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

- Debt Administration – At year-end, the Authority had \$2,715,000 in long-term debt related to landfill cell construction and \$4,846,800 in closure and post-closure care costs. The following table presents the changes in the enterprise's long-term debt compared to last year:

	Balance 01/01/07	Additions	Deletions	Balance 12/31/07
Bonds	\$ 2,920,000	\$ -	\$ (205,000)	\$ 2,715,000
Closure & post-closure costs	3,610,300	1,236,500	-	4,846,800
Total long-term debt	<u>\$ 6,530,300</u>	<u>\$ 1,236,500</u>	<u>\$ (205,000)</u>	<u>\$ 7,561,800</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Authority could see a downturn in revenue in the upcoming fiscal year given the local and national economic conditions. As well we will feel the pinch in fuel prices and almost every other expense category. The pricing for different types of waste received are reviewed periodically and adjusted to maintain income above expenses.

Over the last year, the Authority continued to replace equipment on schedule. We are now in good shape equipment wise and we will be focusing on maintaining the equipment we have for the next couple years.

Major expenses for this coming year will be associated with the new landfill site being developed including engineering costs, hydrological investigations and wet land permitting and mitigation.

The "budget" that the Authority uses is a guideline. It is based upon the last three years of operations and any pertinent facts available at the time. Some revenue and expense items cannot be predicted. Therefore, the Authority chooses to adopt a budget that expects the higher side of expenses and the lower side of revenue. This budget provides for sufficient revenue to maintain all operations, post closure savings and future capitalization expenses.

CONTACTING THE AUTHORITY'S MANAGEMENT

The financial report is designed to provide citizens, taxpayers, customers, regulatory agencies as well as creditors with a general overview of the Delta Solid Waste Management Authority financial activities. If you have any questions about this report or need additional financial information, contact the Authority's manager at P.O. Box 198, Escanaba, MI, 49829, or (906) 786-9056.

DELTA SOLID WASTE MANAGEMENT AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2007

ASSETS

Current Assets:

Cash and equivalents:

Cash	\$	722,522
Certificates of deposit		1,841,585
Accounts receivable		140,842

TOTAL CURRENT ASSETS 2,704,949

Non-Current Assets:

Restricted Assets - Cash:

Perpetual care fund - DEQ		604,164
Capital Assets (Net of accumulated depreciation)		3,883,033

TOTAL NON-CURRENT ASSETS 4,487,197

Other Assets:

Bond issuance and organization costs		169,730
Accumulated amortization		(126,604)
Bond discount		42,750
Accumulated amortization		(22,909)

NET OTHER ASSETS 62,967

TOTAL ASSETS \$ 7,255,113

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$	83,083
Accrued bond interest payable		22,490
Current portion of bonds payable		220,000
Current portion of accrued sick and vacation		9,422
Other current liabilities		3,984
		<hr/>
TOTAL CURRENT LIABILITIES		338,980
		<hr/>
Long-Term Liabilities (Net of Current Portion):		
Bonds Payable		2,495,000
Estimated liability for landfill closure and post-closure care costs		4,846,800
Accrued sick and vacation		28,267
		<hr/>
NET LONG-TERM LIABILITIES		7,370,067
		<hr/>
TOTAL LIABILITIES		7,709,047
		<hr/>
Net Assets:		
Invested in capital assets, net of related debt		1,168,033
Restricted for:		
Expendable:		
Closure and post-closure care		604,164
Unrestricted		(2,226,131)
		<hr/>
TOTAL NET ASSETS		(453,934)
		<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$	7,255,113
		<hr/> <hr/>

DELTA SOLID WASTE MANAGEMENT AUTHORITY

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended December, 31, 2007

Operating Revenues	\$ 1,685,651
Operating Expenses:	
General and Administrative:	
Salaries and wages	248,721
Employee benefits	47,589
Payroll taxes	3,543
Pension expense	32,199
Workers compensation	12,290
Bank charges	5,229
Insurance	19,177
Printing and publishing	3,434
Postage	760
Telephone	3,430
Utilities	26,291
Travel and entertainment	1,635
Licenses and permits	10,197
Office supplies	1,557
Training	565
Shop supplies	5,503
Freight	901
Operating supplies	3,623
TOTAL GENERAL AND ADMINISTRATIVE	426,645
Professional Services:	
Accounting and auditing	11,580
Engineering services	18,040
Other professional services	3,400
Management fees	156,769
Legal fees	1,602
TOTAL PROFESSIONAL SERVICES	191,390
Repairs and Maintenance:	
Building	12,415
Machinery	26,306
Office equipment	1,594
Small equipment	2,122
Grounds maintenance	9,922
TOTAL REPAIRS AND MAINTENANCE	52,359

See accompanying notes to financial statements.

Depreciation	<u>506,312</u>
Amortization	<u>6,696</u>
Landfill closure and post-closure care costs	<u>1,236,500</u>
Other:	
Hazardous material program	15,257
Groundwater testing	31,820
Fuel	50,186
Leachate treatment	55,201
Tire recycling	5,800
Escanaba cleanup	5,911
Miscellaneous	<u>6,550</u>
TOTAL OTHER	<u>170,724</u>
TOTAL OPERATING EXPENSES	<u>2,590,626</u>
OPERATING INCOME (LOSS)	<u>(904,975)</u>
Non-operating Revenues and Expenses:	
Gain on sale of assets	9,750
Interest income	181,539
Interest expense	<u>(143,271)</u>
TOTAL NON-OPERATING REVENUES AND EXPENSES	<u>48,019</u>
NET INCOME (LOSS)	(856,956)
Net assets, beginning of year	<u>403,022</u>
NET ASSETS, END OF YEAR	<u><u>\$ (453,934)</u></u>

DELTA SOLID WASTE MANAGEMENT AUTHORITY

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2007

Cash flows from operating activities:	
Cash received from charges for services	\$ 1,715,486
Cash paid for salaries and wages	(327,706)
Cash paid for general expenses	<u>(442,871)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>944,909</u>
Cash flows from capital and related financing activities:	
Purchase of fixed assets	(1,115,616)
Gain on sale of fixed assets	9,750
Principal payments	(205,000)
Interest paid	<u>(144,976)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,455,842)</u>
Cash flows from investing activities:	
Interest received	<u>181,539</u>
NET INCREASE (DECREASE) IN CASH	(329,394)
Cash, beginning of year	<u>3,497,665</u>
CASH, END OF YEAR	<u><u>\$ 3,168,271</u></u>
Reconciliation of operating loss to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (904,975)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	513,008
Landfill closure and post-closure costs	1,236,500
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	29,835
Increase (decrease) in accounts payable	66,519
Increase (decrease) in other current liabilities	(364)
Increase (decrease) in accrued sick and vacation	<u>4,347</u>
TOTAL ADJUSTMENTS	<u>1,849,845</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 944,870</u></u>

See accompanying notes to financial statements.

DELTA SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Reporting Entity - The Authority was incorporated in 1984, pursuant to Act 233, Public Acts of Michigan, 1955, by the County of Delta and local units of government within the county in order to provide a new landfill. Both Act 233 and its Articles of Incorporation authorize the Authority to issue bonds to finance and operate such a landfill. The Authority is similarly authorized to execute a long-term lease of the 80-acre site of the landfill, which is currently owned by the City of Escanaba and leased to the county for use as a landfill. During 1992 the Authority began operating a recycling center pursuant to Act 328, Public Acts of Michigan. A Clean Michigan Community Grant Contract funded the start up costs of the recycling center. The Authority as described herein has no taxing power.

The Authority is governed by a seven-person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities, and one member of the Delta County Board of Commissioners. The three members from the cities are selected by and from a body composed of two representatives from each city; and the member of the Delta County Board of Commissioners is chosen by County Commissioners after review of recommendation by the townships, villages and city representatives.

Basis of Accounting - Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The Authority's policies conform to generally accepted accounting principles as applicable to governmental proprietary funds and as such the funds are accounted for using the accrual basis method of accounting. Under the accrual basis method of accounting revenue is recognized when earned, and expenses when incurred. The Authority applies all GASB pronouncements and FASB Statement and Interpretations, APB Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. When both restricted and unrestricted resources are available for use, it is the Authority's policy to utilize restricted resources first.

Cash - For reporting purposes in the Statement of Cash Flows, cash and cash equivalents include cash on hand, demand deposits and short-term investments with maturities of three months or less. This includes restricted cash.

DELTA SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

Restricted Assets - Restricted cash includes a perpetual care fund with a balance of \$604,164, which the Michigan Department of Environmental Quality mandates as part of its licensure and financial assurance requirements.

Receivables - Receivables are reported at their gross value and are reduced by the direct write-off method when amounts are deemed to be uncollectible.

Fixed Assets - Fixed assets are recorded at cost. Depreciation is charged as an expense against income from operations. Depreciation is computed over the estimated useful lives of the assets on the straight-line method. Accumulated depreciation is adjusted for landfill cells based on the capacity used/available at year-end. The following are the estimated useful lives of the assets:

Buildings	10 - 19 years
Landfill cells/land improvements	5 - 20 years
Furniture	10 years
Vehicles	7 years
Machinery and equipment	7 - 10 years
Leasehold improvements	19 years

Bond Issuance Costs - Bond issuance costs are capitalized and amortized over twenty years.

Bond Discount - Discount on bonds issued is amortized to interest expense using the effective interest method.

Organization Costs - Organization costs are capitalized and amortized over nine years.

Operating Revenues and Expenses - Operating revenues and expenses for the Authority are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DELTA SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE B - CASH DEPOSITS

Cash deposits are recorded at cost. All cash deposits are held in federally insured banks located in the State of Michigan. During the past year, cash balances deposited have exceeded the maximum federally insured deposit levels. Custodial credit risk is the risk that in the event of a bank failure the Authority's deposits may not be returned. At December 31, 2007 the carrying amount of the Authority's cash deposits was \$3,173,521 and the bank balance was \$ 3,167,208. Of the bank balance, \$500,000 was covered by federal deposit insurance and \$2,667,208 was uninsured and uncollateralized. The Authority does not have deposit or investment policies relating to custodial credit risk, however, in the opinion of management, these deposits that exceed federally insured limits are subject to minimal risk.

Michigan Compiled Laws 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, savings and loans associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial rated paper within the two highest classifications, which mature 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 which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

DELTA SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE C - PROPERTY AND EQUIPMENT

The following is a summary of changes in property and equipment:

	Balance 1/1/2007	Additions	Deletions	Balance 12/31/2007
Capital Assets Not Subject to Depreciation:				
Land	\$ 684,810	\$ 454,721	\$ 1,000	\$ 1,138,531
Capital Assets Subject to Depreciation:				
Buildings and improvements	896,892	4,805	-	901,697
Landfill cells/land improvements	5,984,161	24,938	-	6,009,099
Furniture	2,803	-	-	2,803
Vehicles	1,134	-	1,134	-
Machinery and equipment	1,401,919	632,152	56,500	1,977,571
Leasehold improvements	65,180	-	-	65,180
Total depreciable capital assets	8,352,089	661,895	57,634	8,956,350
Total capital assets	9,036,899	1,116,616	58,634	10,094,881
Less accumulated depreciation	(5,763,170)	(506,312)	57,634	(6,211,848)
Net depreciable capital assets	2,588,919	155,583	115,268	2,744,502
NET PROPERTY AND EQUIPMENT	<u>\$ 3,273,729</u>	<u>\$ 610,304</u>	<u>\$ 116,268</u>	<u>\$ 3,883,033</u>

NOTE D - RETIREMENT PLAN

In accordance with Section 401(A) of the Internal Revenue Code, the Authority makes available to its employees a qualified defined contribution retirement plan in which DSWMA contributes 8% of the employee's annual base salary rate to the plan, and makes a matching contribution of 3% to an employee's account for each 3% of employee contribution. This plan is offered to all regular full-time employees, regular part-time employees, and part time employees who work a minimum of 1,000 hours per year. Employee salary deferrals and DSWMA contributions are immediately 100% vested. Contribution requirements are established by and may be amended at the discretion of the Authority's Board of Directors. As of December 31, 2007, the Authority had five employees participating in the plan and made contributions totaling \$32,199 and employee contributions of \$31,684.

DELTA SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE E- LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2007:

	1997 General Obligation Limited Tax Bonds	Estimated Liability for Landfill Closure and Post-Closure Care Costs	Compensated Absences	Total
Balance at 01/01/07	\$ 2,920,000	\$ 3,610,300	\$ 33,342	\$ 6,530,300
Additions	-	1,236,500	4,347	1,236,500
Reductions	205,000	-	-	205,000
Balance at 12/31/07	<u>\$ 3,125,000</u>	<u>\$ 4,846,800</u>	<u>\$ 37,689</u>	<u>\$ 7,971,800</u>

The 1997 General Obligation Limited Tax bonds bear interest at rates ranging from 4.75 to 5.0%, with annual maturities ranging from \$165,000 to \$300,000 through November 1, 2017. The bonds are secured by payments to be made to the Authority by Delta County to pay principal and interest, if necessary, pursuant to a contractual agreement between the Authority and Delta County. Delta County is authorized under Public Act 233 to pledge its limited tax full faith and credit for payment of the bonds.

The following summarizes 1997 General Obligation Limited Tax Bond debt service requirements for principal and interest due within the next five years:

Year	Principal	Interest
2008	\$ 220,000	\$ 134,943
2009	230,000	124,218
2010	245,000	113,005
2011	260,000	101,000
2012	275,000	88,000
2013-2017	<u>1,485,000</u>	<u>224,250</u>
TOTALS	<u>\$ 2,715,000</u>	<u>\$ 785,416</u>

DELTA SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE E- LONG-TERM DEBT (continued)

Compensated absences - Regular full-time employees of the Authority accumulated sick and vacation benefits based on time of service to the Authority. Accumulated sick and vacation time as of December 31, 2007 amounted to \$37,689.

NOTE F - LETTERS OF CREDIT

At December 31, 2006 the Authority had the following letters of credit with Upper Peninsula State Bank and Bay Bank which were in place to satisfy Michigan Department of Environmental Quality financial assurance requirements for closure and post-closure care costs:

<u>Date Issued</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Expiration</u>
1/2/1997	\$ 190,000	9.50%	2/28/2008
1/2/1997	82,800	9.50%	2/28/2008
5/12/1997	152,000	9.50%	1/28/2008
5/12/1997	60,000	9.50%	5/12/2008

There were no outstanding balances on any of these letters of credit as of December 31, 2007.

The Authority also has a letter of credit for a previous MDEQ consent order regarding a remedial action plan in the amount of \$144,000. There was no outstanding balance on this letter of credit as of December 31, 2007.

NOTE G - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws require that the Authority place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to current operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on estimated future closure and post-closure care costs that will be incurred after the date the landfill no longer accepts waste.

The recognition of the annual landfill closure and post-closure care costs is based on the amount of landfill used during the year.

DELTA SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE G - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS (continued)

The estimated liability for landfill closure and post-closure care costs has a balance of \$4,846,800 as of December 31, 2007. This amount is based on 84% filled capacity of the landfill for closure of the remaining cells and post-closure care costs, based upon the ratio of filled cells to total filled capacity, including the capacity of cell four constructed in 2002, and the vertical expansion of cell three in 2003.

It is estimated that an additional \$923,200 will be recognized as closure and post-closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (the year 2011), which includes closure costs of the reconstructed portion of the landfill. The estimated total current cost of the landfill closure and post-closure care (\$4,846,800) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2007. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Cash deposits of \$2,445,749 were available at December 31, 2007 to finance closure and post-closure care. Letters of credit amounting to \$484,800 were also available at December 31, 2007. Possible additional charges to future landfill users may also be used to finance closure and post-closure costs. As of December 31, 2007, the estimated remaining useful life of the landfill is three-and-one-half years.

NOTE H - CONTINGENCY

The Authority is currently going through the permit process with the State of Michigan to expand the permitted landfill space. As part of this process, the Authority has invested significant amounts of cash to purchase additional land and perform engineering work in relation to the landfill expansion. If the landfill expansion permits are denied, the Authority would not have enough cash in place at the time of closure of the existing permitted space, to pay for all of its liabilities. Management feels that all of the required permits will be in-place by the end of 2008 and construction of the new cells will be completed before the existing permitted landfill space is full.

DELTA SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE I - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority carries commercial insurance for these risks of loss. At December 31, 2007, the Authority had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

NOTE J - RESTRICTED NET ASSETS

Net assets are restricted in the amount of \$604,164 and represent the amount mandated by the Michigan Department of Environmental Quality as part of licensure of the landfill and financial assurance requirements.

NOTE K - CHANGE IN ACCOUNTING ESTIMATE

A significant change in the estimated cost of landfill closure was made in 2007. The Authority's engineers had previously estimated landfill closure costs to be \$1,000,000, in the current year the estimate was revised to \$2,500,000 which significantly increased the landfill closure and post closure care expenses for 2007.



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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Laura L. Schwalbach, CPA

REPORT TO MANAGEMENT

June 30, 2008

To the Board of Directors
Delta Solid Waste Management Authority

We have audited the general purpose financial statements of Delta Solid Waste Management Authority for the year ended December 31, 2007, and have issued our report thereon dated June 20, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 3, 2006, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 1, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Delta Solid Waste Management Authority are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the closure and post-closure liability is based on an estimate by a licensed engineer. We evaluated the key factors and assumptions used to develop the closure and post-closure cost estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the landfill capacity available is based on an estimate by a licensed engineer. We evaluated the key factors and assumptions used to develop the landfill capacity available estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciable lives of capital assets is based on management's judgment and historical lives of past assets. We evaluated the key factors and assumptions used to develop the depreciable lives of capital assets estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

The disclosure of fixed asset useful lives in Note A to the financial statements is an estimate based on management's judgment and historical records.

The disclosure of closure and post-closure care costs in Note G to the financial statements is an estimate based on licensed engineer estimation.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be

significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 30, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

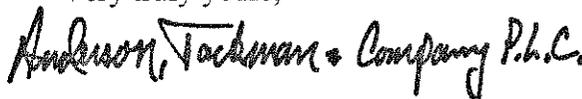
Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated June 30, 2008, on the financial statements of Delta Solid Waste Management Authority.

This information is intended solely for the use of the Authority's Board of Directors and management of Delta Solid Waste Management Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Certified Public Accountants

DELTA SOLID WASTE MANAGEMENT AUTHORITY

COMMENTS AND RECOMMENDATIONS

December 31, 2007

JOURNAL ENTRIES

Comment:

We noted several journal entries that did not match what was entered into the general ledger.

CLOSURE AND POST-CLOSURE COST

Comment:

Based upon the historical cash flow generated from landfill operations, and the current amount of cash the Authority has spent on landfill expansion, when the existing permitted landfill is filled to capacity the Authority will not have enough cash to pay for all the liabilities as of the closure date. If the landfill expansion occurs, the cash flow situation should not be an issue.



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Laura L. Schwalbach, CPA

To the Board of Directors
of Delta Solid Waste Management Authority

In planning and performing our audit of the financial statements of Delta Solid Waste Management Authority as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Delta Solid Waste Management Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control.

- Material audit adjustments were required to the trial balance to properly recognize additional fixed asset additions, interest revenue, depreciation expense, and landfill closure and post-closure expense.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

- The significant deficiency noted above is also considered a material weakness.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

June 30, 2008