

**GOGEBIC RANGE SOLID WASTE  
MANAGEMENT AUTHORITY  
IRONWOOD, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS**

**June 30, 2007**

### Auditing Procedures Report

Issued under P.A. 207 of 1986, as amended and P.A. 71 of 1996, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Solid Waste Gogebic Range Management Authority	County Gogebic
Fiscal Year End 6/30/2007	Opinion Date 12/15/2007	Date Audit Report Submitted to State 12/21/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

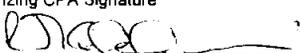
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO** Check each applicable box below. (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and 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, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Roger J. Kolehmainen CPA PC		Telephone Number (906) 932-3600		
Street Address 1445 East Cloverland Drive		City Ironwood	State MI	Zip 49938
Authorizing CPA Signature 		Printed Name Roger J. Kolehmainen		License Number 1617066

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY  
(Unaudited)  
Year ended June 30, 2007

**Management's Discussion and Analysis**

This section of the Gogebic Range Solid Waste Management Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended June 30, 2007. It is to be read in conjunction with the Authority's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, as amended and interpreted, is intended to provide the financial results for the fiscal year ending June 30, 2007.

**Financial Statements**

The statement of net assets shows the Authority's assets and liabilities. This statement measures the financial strength of the Authority; the greater the net asset figure, the healthier the Authority generally is. This shows if the Authority will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current and prior years change in net assets on revenue less expenditure basis. It generally shows the operating results for a given year of the Authority. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Authority. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Authority.

**Proprietary Funds**

Proprietary Funds provide services for which the Authority charges customers a fee, like a business-type of activity. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Notes to Financial Statements**

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provide in the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
 GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY  
 (Unaudited)

**Financial Statements-Condensed Financial Information**

Statement of Net Assets

The following is a condensed statement of net assets for the years ended June 30, 2007 and 2006,

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current Assets:		
Cash and other assets	\$69,195	\$152,622
Other current assets	74,198	79,574
Total Current Assets	143,393	232,196
Fixed Assets	879,238	826,495
Other Assets	10,904	16,372
<b>TOTAL ASSETS</b>	<b>\$1,033,535</b>	<b>\$1,075,063</b>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Accounts payable	\$48,507	\$87,850
Other current liabilities	33,632	34,317
Total Current Liabilities	82,139	122,167
Other Liabilities	343,300	306,900
<b>TOTAL LIABILITIES</b>	<b>425,439</b>	<b>429,067</b>
<b>NET ASSETS</b>		
Investment in capital assets net of related debt	518,938	502,595
Restricted	4,311	4,224
Unrestricted	84,847	139,177
Total Net Assets	608,096	645,996
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$1,033,535</b>	<b>\$1,075,063</b>

For business-type activities, net assets decreased by \$37,900 during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
 GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY  
 (Unaudited)

**Results of Operations**

The results of operations of the Authority are reported in the statement of revenues, expenses, and changes in net assets. A summary of the results of operations are as follows for the years ended June 30, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Service	\$673,442	\$639,832
Other revenues	17,458	15,719
	690,900	655,551
Total Operating Revenues	690,900	655,551
Operating Expenses	695,993	693,438
	(5,093)	(37,887)
Operating Income (Loss)	(5,093)	(37,887)
Non Operating Revenues (Expenses):		
Interest income	3,816	2,302
Gain or loss on asset disposal	(22,801)	5,221
Amortization	(641)	(641)
Interest expense	(13,181)	(13,822)
	(37,900)	(44,827)
Change in Net Assets	(37,900)	(44,827)
Beginning Net Assets	645,996	690,823
Ending Net Assets	\$608,096	\$645,996

**Proprietary Fund**

Unrestricted net assets as of June 30, 2007 are \$84,847.

**Fund Budget Items**

The Authority prepares an annual budget and makes revisions as needed.

**Capital Assets**

At June 30, 2007, the Authority had \$879,238 invested in capital assets, net of accumulated depreciation. Assets were capitalized at historical cost. The Authority installed a new compactor and retaining walls during the year ended June 30, 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY  
(Unaudited)

**Debt**

The Authority has \$360,300 of long-term liabilities at June 30, 2007. This amount consists of revenue bonds payable to USDA Rural Development. The Authority received loan proceeds of \$53,400 before year end and retired \$17,000 in debt during 2006/2007. Details on the bonds can be found in the notes to the financial statements.

**Other Economic Factors and Next Years Budget**

**Economic Factors**

Currently, the disposal rates have remained relatively stable over the past several years. The Authority has been increasing rates consistent with their contractual agreement with a major vendor. The Authority continues to provide essential services at a reasonable cost in supporting a healthy and clean living environment

**Request for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Authority Administrator  
Gogebic Range Solid Waste Management Authority  
E5917 U.S. 2  
Ironwood, MI 49938

**Roger J. Kolehmainen CPA PC**  
1445 East Cloverland Drive  
Ironwood, MI 49938  
(906) 932-3600

INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the  
Board of Commissioners  
Gogebic Range Solid Waste  
Management Authority  
Ironwood, Michigan

We have audited the accompanying basic financial statements of Gogebic Range Solid Waste Management Authority (the Authority), as of and for the year ended June 30, 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 statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 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 the 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 Gogebic Range Solid Waste Management Authority as of June 30, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2007, on our consideration of Gogebic Range Solid Waste Management Authority's internal control over financial reporting and our tests with compliance with certain provisions of law, regulations, contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing of internal control and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in accordance with this report in considering the results of our audit.

The management's discussion and analysis are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting and Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements of the Gogebic Range Solid Waste Management Authority, Ironwood, Michigan, taken as a whole. The financial statements listed in the table of contents under "Other Supplemental Information" are presented for the purpose of additional analysis and are not a required part of the financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ironwood, MI  
December 15, 2007

  
Roger J. Kolehmainen PC  
Certified Public Accountant

**GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY  
STATEMENT OF NET ASSETS**

June 30, 2007

**ASSETS**

<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$64,884
Accounts receivable-net	63,341
Prepaid expenses	10,857
Total Current Assets	139,082
<b>NONCURRENT ASSETS:</b>	
<b>RESTRICTED ASSETS:</b>	
Cash and cash equivalents	4,311
Total Restricted Assets	
<b>PROPERTY, PLANT AND EQUIPMENT:</b>	
Land and land improvements	93,102
Buildings and structures	976,914
Machinery and equipment	357,079
Allowance for depreciation	(547,857)
Total Property, Plant and Equipment	879,238
<b>OTHER ASSETS:</b>	
Bond issue costs, net	10,904
Total Other Assets	10,904
Total Non-Current assets	890,142
<b>TOTAL ASSETS</b>	<b>\$1,033,535</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$48,507
Accrued wages, benefits and taxes	11,119
Accrued interest payable	5,513
Current maturity on long-term debt	17,000
Total Current Liabilities	82,139
<b>LONG-TERM DEBT:</b>	
Bonds payable	360,300
Less current maturity on long-term debt	(17,000)
Total Long-Term Debt	343,300
<b>NET ASSETS:</b>	
Investment in capital assets, net of related debt	518,938
Restricted for performance bond	4,311
Unreserved	84,847
TOTAL NET ASSETS	608,096
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$1,033,535</b>

The accompanying notes are an integral part of the financial statements.

GOGEBIC RANGE SOLID WASTE MANAGMENT AUTHORITY  
STATEMENT OF REVENUE, EXPENSES,  
AND CHANGES IN NET ASSETS  
Year ended June 30, 2007

Business type Activities - Enterprise Funds

	<b>Total</b>
<b>Operating revenues:</b>	
Tipping fees	\$673,442
Other revenues	17,458
Total Operating Revenues	690,900
 <b>Operating expenses:</b>	
Wages and related benefits	199,460
Operating supplies and expenses	55,736
Contracted disposal services	400,159
Provision for depreciation	40,638
Total Operating Expenses	\$695,993
Operating Income (loss)	(\$5,093)
 <b>Non-operating revenues (expenses)</b>	
Interest income	3,816
Loss on disposal of assets	(22,801)
Bond interest expense	(13,181)
Amortization of bond costs	(641)
Total Non-Operating Revenues	(\$32,807)
<b>Net Income (loss)</b>	<b>(37,900)</b>
Net Assets at Beginning of Year	645,996
<b>NET ASSETS at End of Year</b>	<b>\$608,096</b>

The accompanying notes are an integral part of the financial statements.

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY  
STATEMENT OF CASH FLOWS  
Year ended June 30, 2007

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Received from customers	\$695,570
Payments to suppliers	(555,996)
Payments to employees	(138,078)
Net Cash Provided (Used) by Operating Activities	<u>1,496</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from bond payable	53,400
Capital assets	(116,182)
Principal paid on bonds payable	(17,000)
Interest paid on bonds payable	(13,181)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(92,963)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest income	3,816
Net Cash Provided (Used) by Investing Activities	<u>3,816</u>
Net Increases (Decreases) in Cash and Cash Equivalents	(87,651)
Balances – Beginning of Year	<u>156,846</u>
Balances – Ending of Year	<u>\$69,195</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	(\$5,093)
Adjustments to reconcile operating income (loss) to net cash Provided (used) by operating activities:	
Depreciation	40,638
Change in assets and liabilities:	
Accounts receivable	4,670
Prepaid expenses	706
Accrued interest receivable	603
Accounts payable	(39,343)
Accrued payroll/taxes	(462)
Accrued interest payable	(223)
Net Cash Provided by Operating Activities	<u>\$1,496</u>
Noncash investing, capital and financing activities:	
Construction financed by accounts payable: None	
Capitalized interest accrued on plant construction: None	
The accompanying notes are an integral part of the financial statements.	

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Gogebic Range Solid Waste Management Authority (the Authority) provides solid waste transfer services to its members, other municipalities and the general public. The Authority was incorporated August 6, 1987, and began operating December 11, 1989. The Authority is governed by a Board of Trustees, an independent board comprised of members from the various membership communities to oversee the collection and transfer operations.

General Statement

The Authority complies with accounting principles (GAAP) generally accepted in the United States of America. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 34 provides the Authority the option of electing to apply FASB pronouncements issued after November 30, 1989. The Authority has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Authority has no component units.

Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting as a whole. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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## PROPRIETARY FUND

Enterprise Fund- Enterprise Fund report operations that provide services, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The funds are used to account for operations in a manner similar to private business enterprises. The intent of the Authority is to recover operating expenses, including depreciation, through user charges.

### Measurement focus

On the Statement of Net Assets and the Statement of Activities, business-like activities are presented using the economic resources measurement focus as defined below.

The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.

### Basis of Accounting

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. The account and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With the measurement focus, all assets and all liabilities associated with the operations are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components.

Operating revenues and expenses are distinguished from nonoperating items in the statement of revenues, expenses and changes in net assets. Operating revenues and expenses result from providing services in connection with the Authority’s principal ongoing operations. Principal operating revenues of the Authority are charges to customers for disposal services. The charges are to recover the financing and operating costs of the Authority. Operating expenses include all cost of disposal services, administrative expenses, operating expenses and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal nonoperating expenses of the Authority are interest expense and loss on disposal of assets.

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Authority. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Receivables

Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. All receivables that are not considered fully collectible by management are written off using the direct write-off method and, accordingly, there is no allowance for doubtful accounts. There was \$117 in write-offs during the fiscal year.

Accrued Interest Receivables

Interest on certificates of deposits is recognized as revenue in the year monies are accrued.

Inventories

Inventories of Proprietary Fund are considered immaterial and were not taken at year end.

Property, Plant and Equipment

Capital assets are generally defined by the Authority as assets with an initial, individual cost of more than \$100 and subsequently, amended to \$300, and a useful life of three years or more. Maintenance and repair costs are charged to expense as incurred.

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' statement of net assets. Depreciation has been provided over the useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land improvements	20-40 Years
Buildings and improvements	20-40 Years
Office and operating equipment	5-15 Years

Deferred Bond Costs

Deferred bond costs consist of legal fees and publishing fees incurred in connection with the issuing of bonds. These bond costs are being amortized over the period of the bonds being retired by charges to operations. The current year amortization expense is \$641.

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

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Interest Expense

Interest on bonded indebted are recorded as an expenditure as accrued.

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 revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Budget

The Authority follows these procedures in establishing budgetary data:

- a) Authority administrator prepares and submits to the Authority Board a proposed operating budget prior to commencement of the fiscal year. The operating budget includes proposed expenditures and means of financing them and is stated on a basis consistent with accounting principles generally accepted in the United States of America.
- b) The Authority Board formally adopts the finalized operating budget prior to the commencement of the fiscal year.
- c) One budget amendment was approved in the fiscal year.

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a) Investment in capital assets, net of related debt- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bond's or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets- Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE B - CASH

Statutes authorize the Authority to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services: United States government or agency obligation repurchases agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks. All accounts are in the name of the Authority and the Authority holds certificates of deposits with the exception of one restricted certificate of deposit (\$4,311). Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public monies. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. All cash and certificates of deposits are deposited in financial institutions insured by federal depository insurance and are recorded at cost plus interest accrued which approximates market value.

In accordance with GASB Statement No. 3, risk disclosure for bank deposits at June 30, 2007 are:

a. Insured or collateralized with securities held by the entity or by its Agent in the entity's name.	\$177,163
b. Collateralized with securities held by the pledging financial institution trust Department or agent in the entity name.	
c. Uncollateralized (This includes any bank balance that is collateralized with Securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name)	
d. Cash on hand	3,448
	Subtotal <u>180,611</u>
Less outstanding checks	<u>111,416</u>
Balance at June 30, 2007	<u>\$69,195</u>

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

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NOTE C - CAPITAL ASSETS

A summary of proprietary fund type property, plant and equipment at June 30, 2007 follows:

<b>Business-Type Activities</b>	Balance at June 30, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, <u>2007</u>
Capital Assets not Depreciated	\$10,286	\$	\$	\$10,286
Land				
Capital Assets being Depreciated				
Land improvements	\$82,816			\$82,816
Buildings and improvements	970,516	6,398		976,914
Office and operating equipment	317,340	109,784	(70,045)	357,079
Subtotals	<u>\$1,370,672</u>	<u>\$116,182</u>	<u>(\$70,045)</u>	<u>\$1,416,809</u>
Less Accumulated Depreciation for Equipment and Utility plant	(554,463)	(40,638)	47,244	(547,857)
Net Capital Assets Being Depreciated	<u>\$816,209</u>			<u>\$868,952</u>
Governmental Activities Capital	\$826,495	(\$42,796)	\$	\$879,238
Total Capital Assets-Net of Depreciation				

Depreciation is computed using the straight-line method.

NOTE D - ACCOUNTS PAYABLE

The Proprietary Fund account payable balances were for normal expenditures at year-end which included one month of disposal fees payable to a major vendor in the amount of \$46,725.

NOTE E - CHANGES IN LONG-TERM DEBT

	Balance <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
Revenue Bonds Payable	<u>\$323,900</u>	<u>\$53,400</u>	<u>\$17,000</u>	<u>\$360,300</u>

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2007

NOTE F – BONDS PAYABLE

The Authority has issued \$476,000 Solid Waste Disposal System No. 1 Bonds (Limited Tax General Obligation) pursuant to Act 233, Public Acts of Michigan, 1955, as amended. The Authority has entered into a contract with each of the constituent municipalities whereby the municipalities have each pledged its limited tax full faith and credit for the payment of the municipality's share of the obligation.

The municipalities will be required to levy ad valorem taxes within applicable constitutional and statutory tax limitations on all taxable property within their boundaries to the extent necessary to make the payments required to pay principal and interest on the bonds if other funds for that purpose are not available

The General Obligation Limited Tax Bonds, Series 2003 are payable in principal installments serially on August 1 of each year and the annual interest rate of 4.5% on February 1 and August 1, of each year, as follows:

Year ending <u>June 30,</u>	Interest		<u>Principal</u>	<u>Total</u>
	<u>August 1,</u>	<u>February 1,</u>		
2008	\$9,630	\$9,630	\$17,000	\$36,260
2009	9,248	9,248	18,000	36,496
2010	8,842	8,842	19,000	36,494
2011	8,415	8,415	20,000	36,830
2012	7,965	7,965	21,000	36,830
2013	7,492	7,492	22,000	36,984
2014	6,998	6,998	22,000	35,996
2015	6,502	6,502	23,000	36,004
2016	5,985	5,985	25,000	36,970
2017	5,423	5,423	26,000	36,846
2018	4,837	4,837	27,000	36,674
2019	4,230	4,230	28,000	36,460
2020	3,600	3,600	29,000	36,200
2021	2,948	2,948	31,000	36,896
2022	2,250	2,250	32,000	36,500
2023	1,530	1,530	33,000	36,060
2024	788	788	35,000	35,575
	<u>\$96,683</u>	<u>\$96,683</u>	<u>\$428,000</u>	<u>\$621,366</u>

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

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As of June 30, 2007, \$408,300 of bond proceeds was drawdown by the Authority and \$48,000 principal payments have been made. The Authority decided to draw down the final loan proceeds available and make an additional debt service payment in the current operating period. The Authority had made principal payment of \$17,000 and interest payments of \$13,181 for the year ended June 30, 2007. The Authority is experiencing a cost savings in interest expense since not all bond proceeds have not been drawdown as of June 30, 2007.

NOTE G - MAJOR CUSTOMERS

Fees charged a local solid waste disposal contractor amounted to approximately 20% of the total disposal fees for the year ended June 30, 2007.

NOTE H - PENSION PLAN

On August 15, 1990, the Authority adopted a simplified Employee Pension Plan (SEP) covering employees who have performed services for the Authority in at least two of the immediately proceeding five years. The Plan, administered by First National Bank of Wakefield, provides for discretionary annual contributions limited by the maximum amount permitted under the Internal Revenue Code.

The Authority's defined annual contribution (3% and 8% of gross salaries for operators and the administrator, respectively) to the employee's SEP bank account amounted to \$4,816 for the calendar year ended December 31, 2006. Employees do not make contributions to the Plan. All participants are fully vested immediately. Contributions to the Plan become the sole property of the participants.

NOTE I - ACCRUED LEAVE BENEFITS

According to personal service contracts and union agreements, full time employees shall accumulate one sick leave day per month not to exceed twelve days per year with a maximum accumulation of one hundred days. Upon severance of employment with the Authority or upon death of an employee, accumulated sick leave will be paid as follows (not to exceed \$5,000):

<u>Years of Service</u>	<u>Percentage of Sick Leave Payable</u>
5-15 Years	33 1/3%
15-20 Years	50%
20-25 Years	75%
Over 25 Years	100%

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

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In the event of the death of an employee, his beneficiary will be paid the prevailing rate according to the above schedule (not to exceed \$5,000). Three employees have earned accrued sick leave benefits of \$4,864 which are recognized as accrued leave benefits in the financial statements.

NOTE J - ANNUAL/PERSONAL LEAVE

Employees earned vacation and personal leave time based upon number of years of service and may carry forward from one fiscal year to another, within certain restrictions. As of June 30, 2007, employees had earned \$683 in accrued annual/personal leave and are being recognized in the financial statements as a liability.

NOTE K - COMMITMENT/MAJOR VENDOR

The Authority entered into a five year agreement with Superior Waste Services, a Michigan Corporation, which provides for the Authority to receive and transferred waste to the Ontonagon landfill. The rates are subject to annual increases based upon inflationary factors/indexes. The Authority operated under the final year of the contract. The Authority had incurred \$400,159 in disposal costs for the year ended June 30, 2007. A contract extension is presently being negotiated and was not finalized at the time of audit.

NOTE L - RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; thefts or, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has obtained coverage from commercial insurance companies. The Authority has comprehensive general liability coverage of \$2,000,000 per occurrence and a \$4,000,000 aggregate limit, with no deductible amount.

All risk management expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonable estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Authority as of June 30, 2007, will not materially affect the financial condition of the Authority. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have exceeded commercial insurance coverage by \$3,500 over the past five years.

OTHER  
SUPPLEMENTAL  
INFORMATION

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY

DETAIL OF OPERATING EXPENSES

For the year ended June 30, 2007

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Salaries and related benefits:		
Administrative wages		\$41,399
Operators wages		96,678
Payroll taxes		11,748
Hospitalization/life insurance		40,630
Pension		4,816
Worker's compensation insurance		4,189
Operating supplies and expenses:		
Professional fees	3,626	
Office supplies	3,347	
Telephone	1,577	
Disposal tire service	4,500	
Travel and training	1,771	
License, permits and dues	865	
Printing and subscriptions	736	
Insurance	7,183	
Septic and industrial waste disposal	2,722	
Utilities	16,033	
Repairs and maintenance	9,411	
Refrigerators disposal	2,648	
Scrap metal disposal	1,200	
Bad debts	117	55,736
Contracted disposal services		400,159
Provision for depreciation		40,638
		<u>\$695,993</u>

The accompanying notes are an integral part of the financial statements.

**Roger J. Kolehmainen, PC**  
Certified Public Accountant  
1445 East Cloverland Drive  
Ironwood, MI 49938

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Chairman and Members of the Board of Commissioners  
Gogebic Range Solid Waste Management Authority  
Ironwood, Michigan

We have audited the financial statements of Gogebic Range Solid Waste Management Authority as of June 30, 2007, and have issued our report thereon dated December 15, 2007. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Gogebic Range Solid Waste Management Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements of Gogebic Range Solid Waste Management Authority for the year ended June 30, 2007, we considered the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. Our consideration of the internal control structure would not necessarily disclosed all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted that a lack of segregation of duties is presented, involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Management has been advised on prior audits and accepted the present staffing pattern as being cost effective to their size of operations.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Members of the Board, is a matter of public record.

Ironwood, Michigan  
December 15, 2007

  
Certified Public Accountant