Financial Statements and Reports of
Independent Certified Public Accountant

Delaware County
Solid Waste Authority

June 30, 2011

TURNER & ASSOCIATES, PLC
Certified Public Accountants
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Delaware County Solid Waste Authority
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TURNER
& ASSOCIATES, PLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Delaware County Solid Waste Authority
Delaware County, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Delaware County Solid Waste Authority, Delaware County, Oklahoma, as of and for the year ended June 30, 2011, which comprise the Authority's basic financial statements 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 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 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 respective financial position of the business-type activities of the Delaware County Solid Waste Authority, Delaware County, Oklahoma as of June 30, 2011, and the changes in financial position and cash flows thereof 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 April 9, 2012, on our consideration of the Delaware County Solid Waste Authority, Delaware County, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting 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 considered in assessing the results of our audit.

The Delaware County Solid Waste Authority, Delaware County, Oklahoma has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Turner & Associates, PLC
Vinita, Oklahoma
April 9, 2012

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TURNER & ASSOCIATES, PLC
Certified Public Accountants

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

Board of Trustees
Delaware County Solid Waste Authority
Delaware County, Oklahoma

We have audited the financial statements of the business-type activities of the Delaware County Solid Waste Authority, Delaware County, Oklahoma, as of and for the year ended June 30, 2011, which comprise the Authority's basic financial statements and have issued our report thereon dated April 9, 2012. The Delaware County Solid Waste Authority, Delaware County, Oklahoma did not present the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the basic financial statements. We conducted our 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Delaware County Solid Waste Authority, Delaware County, Oklahoma's internal control over financial reporting as a basis for designing our audit 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 Delaware County Solid Waste Authority, Delaware County, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Delaware County Solid Waste Authority, Delaware County, Oklahoma's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting, describe in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses in internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies, 2011-1 and 2011-2 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies, 2011-3, 2011-4 and 2011-5 described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Delaware County Solid Waste Authority, Delaware County, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, 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 or other matter that is required to be reported under *Government Auditing Standards*.

The Delaware County Solid Waste Authority, Delaware County, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Delaware County Solid Waste Authority, Delaware County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and the Oklahoma State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Turner & Associates, PLC

Vinita, Oklahoma
April 9, 2012

Delaware County Solid Waste Authority
Statement of Net Assets
June 30, 2011

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	459,313.37
Accounts Receivable		110,090.35
Due from Other Governments		282,515.38
Total Current Assets		851,919.10
Noncurrent Assets		
Restricted Assets:		
Cash and Cash Equivalents		12,565.47
Capital Assets:		
Land		24,249.00
Property, Plant and Equipment, Net of Accumulated Depreciation		592,674.84
Total noncurrent assets		629,489.31
TOTAL ASSETS		1,481,408.41
LIABILITIES		
Current Liabilities		
Accounts Payable		48,384.81
Accrued Payables		22,778.89
Accrued Interest		51.80
Current Portion of Long-Term Debt		126,578.93
Total Current Liabilities		197,794.43
Noncurrent Liabilities		
Notes Payable, net of current portion		137,156.27
TOTAL LIABILITIES		334,950.70
NET ASSETS		
Invested in Capital Assets, net of Related Debt		353,188.64
Restricted		12,565.47
Unrestricted		780,703.60
TOTAL NET ASSETS	$	1,146,457.71

The accompanying Notes to the Financial Statements are an integral part of this statement.

Delaware County Solid Waste Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011

Operating Revenues		
Sales Tax	$	1,484,773.07
Solid Waste Revenues		672,041.67
Other Revenues		1,197.50
Total Operating Revenues		2,158,012.24
Operating Expenses		
Advertising		31.50
Depreciation		184,003.58
Drug Testing		1,218.60
Dues & Licenses		333.00
Fuel		322,307.73
Insurance		102,000.00
Landfill and Tip Fees		474,327.83
Legal & Audit		4,000.00
Toll Fees		2,953.18
Miscellaneous		13,349.55
Office Expense		655.89
Personal Services		844,207.43
Employee Benefits		113,131.94
Postage		452.00
Repairs and Maintenance		149,061.18
Safety Expenses		3,774.14
Taxes		31,489.06
Supplies		5,716.00
Tires		37,895.34
Travel		2,162.09
Trustee fees		850.00
Uniforms		8,357.72
Utilities and Telephone		26,872.39
Welding		1,926.21
Total Operating Expenses		2,331,076.36
Operating Income		(173,064.12)
Non-Operating Revenues (Expenses)		
Interest Income		6,977.41
Interest Expense		(12,307.94)
Total Non Operating Revenues (Expenses)		(5,330.53)
Change in Net Assets		(178,394.65)
Net Assets, Beginning of Year		1,324,852.36
Net Assets, End of Year	$	1,146,457.71

The accompanying Notes to the Financial Statements are an integral part of this statement.

Delaware County Solid Waste Authority
Statement of Cash Flows
For the Year Ended June 30, 2011

Cash Flows from Operating Activities		
Cash Inflows:		
Payments Received from Customers	$	636,600.39
Payments Received from Other Governments		1,464,107.79
Other Income		1,197.50
Total Cash Provided		2,101,905.68
Cash Outflows:		
Payments for Salaries and Benefits		844,598.44
Payments to Suppliers for Goods and Services		1,260,533.34
Total Cash Used		2,105,131.78
Net Cash Provided (Used) by Operating Activities		(3,226.10)
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets		(158,290.35)
Principal Payments of Notes		(136,653.64)
Proceeds from Notes		140,405.00
Interest Payments of Notes		(12,677.16)
Net Cash Provided (Used) by Capital and Related Financing Activities		(167,216.15)
Cash Flows from Investing Activities		
Interest Received from Investments		6,977.41
Net Cash Inflow (Outflow) from All Activities		(163,464.84)
Cash and Cash Equivalents, Beginning of Year		635,343.68
Cash and Cash Equivalents, End of Year	$	471,878.84
Unrestricted	$	459,313.37
Restricted		12,565.47
Cash and Cash Equivalents, End of Year	$	471,878.84

The accompanying Notes to the Financial Statements are an integral part of this statement.

Delaware County Solid Waste Authority
Statement of Cash Flows (continued)
For the Year Ended June 30, 2011

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Net Operating Income (Loss)	$	(173,064.12)
Depreciation		184,003.58
(Increase) Decrease in:		
Accounts Receivable		(35,441.28)
Due from Other Governments		(20,665.28)
Increase (Decrease) in:		
Accounts Payable		42,332.01
Accrued Vacation and Sick Leave		(391.01)
Net Cash Provided (Used) by Operating Activities	$	(3,226.10)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Delaware County Solid Waste Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. Summary of Significant Accounting Policies

The following notes to the financial statements are an integral part of the Authority's financial statements.

The Delaware County Solid Waste Authority was established as a Public Trust for the purpose of promoting the healthful proper management and disposal of solid waste within and without the territorial limits of Delaware County, Oklahoma; to provide employment which will benefit and strengthen the economy of the State of Oklahoma and Delaware County; and to perform functions and powers as mandated and authorized by the solid waste management, statutes of the State of Oklahoma and the United States of America. The trust was created under the provisions of Title 60, Oklahoma Statutes 1971, Sections 176 to 180.4, inclusive of the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The Authority is exempt from federal and state income taxes.

The Authority complies with Generally Accepted Accounting Principles (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the Statement of Net Assets and Statement of Activities, 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. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

A. Reporting Entity

The Authority's financial reporting entity is comprised of the following:

Primary Government: Delaware County Solid Waste Authority

In determining the financial reporting entity, the Authority complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units of which the Authority appointed a voting majority of the units' board and the Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Board of Trustees or the component unit provides services entirely to the Authority. The component unit's fund is blended into those of the Authority's by appropriate activity type to comprise the primary government presentation. Currently, the Authority has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Authority has no discretely presented component units.

Delaware County Solid Waste Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. Summary of Significant Accounting Polices (continued)

B. Basis of Presentation

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize 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 noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

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 asset used.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

2. Accounts Receivable

Accounts receivable consists of revenues earned at year-end and not yet received.

3. Due from Other Governments

Amounts Due from Other Governments represents sales tax revenues due to the Authority as of year-end and not yet received.

4. Restricted Assets

Restricted assets include cash that is legally restricted as to its use. Restricted assets include a Grand Gateway Grant which is restricted to the construction and development of a convenience center and monies collected for

Delaware County Solid Waste Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. Summary of Significant Accounting Polices (continued)

D. Assets, Liabilities and Net Assets (continued)

4. Restricted Assets (continued)

trash fines, a reward and trash cop fund which is restricted to the purchase of equipment for the environmental officer and an award fund which is restricted to the payment of informants.

5. Capital Assets

Capital assets include property, plant and equipment. The Board has approved a capitalization threshold of an initial individual cost of more than $2,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are reported at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All reported capital assets are depreciated on the straight-line basis over the following estimated useful lives: buildings (20-30 years); vehicles and equipment (5-10 years).

6. Liabilities

Liabilities are displayed in two components:

a) Current Liabilities:

1) Accounts Payable includes any reserves, or June purchase orders, paid after year end June 30, 2011.
2) Accrued Vacation is owed vacation time calculated by multiplying the employee(s) rate by the number of vacation hours accumulated by the employee(s).
3) Accrued Interest calculates the interest that has accumulated on all lease purchase agreements since the previous interest payment.
4) Current Portion of Long-Term Debt includes any lease purchase agreement principal payments due within one year.

b) *Noncurrent Liabilities*:

1) Notes Payable, net of current portion includes the total amount due on all lease purchase agreements minus any principal payments due within one year.

7. Equity Classifications

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

a. Invested 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 bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Delaware County Solid Waste Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. Summary of Significant Accounting Polices (continued)

D. Assets, Liabilities and Net Assets (continued)

7. Equity Classifications (continued)

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."

8. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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 expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Delaware County Solid Waste Authority. The use of budgets and monitoring of equity status facilitate the Authority's compliance with legal requirements.

III. Detailed Notes Concerning the Funds

A. Deposits and Investments

Custodial Credit Risk – 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's cash deposits, including interest-bearing certificates of deposit, are maintained in financial institutions. As of June 30, 2011, none of the Authority's deposits was exposed to custodial credit risk.

Delaware County Solid Waste Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

III. Detailed Notes Concerning the Funds (continued)

B. Changes in Capital Assets

Capital asset activity for the year was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Capital Assets				
Non-depreciable assets:				
Land	24,249.00	-	-	24,249.00
	24,249.00	-	-	24,249.00
Depreciable assets:				
Buildings	392,114.80	-	-	392,114.80
Vehicles	1,537,305.24	140,405.00	-	1,677,710.24
Box Sites	143,694.12	10,835.36	-	154,529.48
Equipment	773,777.00	6,500.00	-	780,277.00
Total Depreciable Assets	2,846,891.16	157,740.36	-	3,004,631.52
Accumulated Depreciation:	(2,228,503.09)	(184,003.58)	-	(2,412,506.67)
Depreciable assets, net	618,388.07	(26,263.22)	-	592,124.85
Net Capital Assets	$ 642,637.07	$ (26,263.22)	$ -	$ 616,373.85

Delaware County Solid Waste Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

III. Detailed Notes Concerning the Funds (continued)

C. Long-Term Debt

A note payable due to Grand Savings Bank, to purchase a 2008 Sterling Truck, in the principal amount of $92,858.62 was issued on January 30, 2008. The note bears interest at 4.5% and is payable in monthly installments of $2,120.26 for a term of four years.

The note matures as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 16,602.18	$ 272.71	$ 16,874.89

A note payable due to Grand Savings Bank, to purchase a 2008 Mack Truck in the principal amount of $169,889.97 was issued on January 30, 2008. The note bears interest at 4.5% and is payable in monthly installments of $3,879.14 for a term of four years.

The note matures as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 30,502.90	$ 530.22	$ 31,033.12

A note payable due to Grand Savings Bank, secured by a 2009 Mack Truck, in the principal amount of $179,314.00 was issued on August 5, 2009. The note bears interest at 4.0 % and is payable in monthly installments of $4,053.38 for a term of four years.

The note matures as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 45,434.11	$ 3,206.45	$ 48,640.56
2013	47,285.17	1,355.39	48,640.56
2014	8,127.51	40.68	8,168.19
Totals	$ 100,846.79	$ 4,602.52	$ 105,449.31

Delaware County Solid Waste Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

III. Detailed Notes Concerning the Funds (continued)

C. Long-Term Debt (continued)

A note payable due to Grand Savings Bank, secured by a 2011 Freightliner Truck, in the principal amount of $140,405 was issued on September 14, 2010. The note bears interest at 4.0 % and is payable in monthly installments of $3,170.96 for a term of four years.

The note matures as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 34,039.74	$ 4,011.78	$ 38,051.52
2013	35,426.57	2,624.95	38,051.52
2014	36,869.91	1,181.61	38,051.52
2015	9,447.11	65.77	9,512.88
Totals	$ 115,783.33	$ 7,884.11	$ 114,154.56

Debt service requirements for all notes payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	$ 126,578.93	$ 8,021.16	$ 134,600.09
2013	82,711.74	3,980.34	86,692.08
2014	44,997.42	1,222.29	46,219.71
2015	9,447.11	65.77	9,512.88
Totals	$ 263,735.20	$ 13,289.56	$ 277,024.76

D. Changes in Long-Term Debt

Long-term debt consists of notes payable. The following is a summary of the changes in long-term debt of the Authority for the fiscal year.

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Notes Payable	$ 259,983.84	$ 140,405.00	$ 136,653.64	$ 263,735.20	$ 126,578.93

Delaware County Solid Waste Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

IV. Other Information

A. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority carries commercial insurance for risks of loss. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Rates and Fees

Delaware County Solid Waste Authority charges $42.00 per ton. The municipal fee is $35.00 per ton.

C. Defined Benefit Pension Plan

The Delaware Solid Waste Authority is a participating employer in the Oklahoma Public Employees Retirement System (OPERS). The plan is funded by State and employee contributions and earnings from investments and is a cost-sharing multiple-employer defined benefit plan. Benefits are established and changed under the authority of the Oklahoma Legislature.

The Oklahoma Public Employees Retirement System issues a publicly available financial report that may be obtained by writing to P.O. Box 53007, Oklahoma City, OK 73152-2381 or calling 1-800-733-9008.

Oklahoma Public Employees Retirement System

All regular, full-time employees beginning their sixth month of employment are required to contribute to the retirement system.

Pension provisions include death and disability benefits. The retirement system provides various options that the member may choose for their designated beneficiary including a one-time lump sum payment, or the surviving spouse may receive death benefits for life. Disability benefits are also provided to the disabled employee.

The Authority is required to contribute 13.5% of each participating employee's salary. The participant is required to contribute 3.5% from eligible compensation. Contribution requirements are established and may be changed by the Oklahoma Legislature.

D. Subsequent Events

Management has evaluated subsequent events through April 9, 2012, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

Delaware County Solid Waste Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

IV. Other Information (continued)

E. Contingent Liabilities

The governing board of the Authority is not aware of any pending or threatened legal actions against it. However, any such actions would probably be covered by insurance.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial

Delaware County Solid Waste Authority
Schedule of Findings and Comments
For the Year Ended June 30, 2011

FINDINGS - FINANCIAL STATEMENT AUDIT

2011-1 Material Weakness in Internal Control over Financial Reporting – Preparation of Financial Statements in Accordance with GAAP

Criteria:
The Authority's management is responsible for internal controls over financial reporting. This includes controls over the fair and complete presentation of the Authority's annual financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal books and records, and (2) reporting government-wide and fund financial statements, including related footnotes (i.e. external financial reporting). Professional audit standards clearly indicate that the external financial statement auditor cannot perform any part of management's control activities or be a component of the internal controls over financial reporting.

Condition:
As is the case with many smaller and medium-sized entities, the Authority has historically relied extensively on its independent external auditors to provide the necessary expertise to assist in the preparation of the financial statements and footnotes as part of its controls over the external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the authority's internal controls. This finding was also noted in 2010.

Cause:
Authority personnel do not possess formal knowledge, expertise, and education relative to preparing GAAP financial statements and related note disclosures without assistance from the external auditor or another outside source. Professional standards do not require that the management possess the expertise to prepare the financial statements and related note disclosures but to have the skills to understand them. As a result management was able to review the financial statements and related note disclosures and sufficiently understand them to take full responsibility for them as required by professional standards.

Effect or Potential Effect:
As a result of this condition, without assistance from its external auditors or another outside source, the Authority may lack the necessary internal controls over the preparation of financial statements in accordance with GAAP. This condition also places the auditor in a questionable position regarding auditor independence as a result of potentially performing part of management's functions.

Recommendation:
The Authority should consider designing and implementing sufficient internal controls over financial reporting by obtaining the necessary knowledge, expertise, and continuing education to prepare financial statements in accordance with generally accepted account principles without reliance on the external financial statement auditor. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

Delaware County Solid Waste Authority
Schedule of Findings and Comments
For the Year Ended June 30, 2011

FINDINGS - FINANCIAL STATEMENT AUDIT (continued)

2011-2 Material Adjusting Journal Entries

Criteria:
The Authority's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implantation of controls over the fair and complete presentation of the government's annual financial statements in accordance with generally accepted accounting principles (GAAP) from trial balances derived from the government's accounting records. For trial balances to be both complete and accurate, the government must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, government management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal control, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

Condition:
The Authority's trial balances for the year ended December 31, 2011, required a number of material adjusting journal entries in order for the financial statements to be prepared in accordance with GAAP. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: adjusting accounts receivable/accounts payable, reclassify income/expense accounts, reclassifying petty cash activity, adjusting outstanding checks, adjusting payroll taxes and employee deductions, and recording activity for a certificate of deposit. This finding was also noted in 2010.

Cause:
The Authority's accounting and financial reporting staff lacks the necessary knowledge, expertise and education, relative to the complex nature of applying GAAP applicable to state and local governments, sufficient to provide reasonable assurance that the trial balances used for preparing the GAAP financial statements are complete and accurate prior to audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balances.

Effect:
As a result of this condition, without reliance on its external auditors, the Authority lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with GAAP. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence as a result of the auditor performing part of management's functions regarding to the trial balances.

Delaware County Solid Waste Authority
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FINDINGS - FINANCIAL STATEMENT AUDIT (continued)

2011-2 Material Adjusting Journal Entries (continued)

Recommendation:
The Authority should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances by obtaining the necessary knowledge, expertise, and continuing education to apply GAAP in the development of working trial balances that will be used to prepare the government's annual financial statements. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

Delaware County Solid Waste Authority
Schedule of Findings and Comments
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FINDINGS - FINANCIAL STATEMENT AUDIT (continued)

2011-3 Segregation of Duties

Criteria:
Incompatible accounting duties should be performed by different individuals when possible.

Condition:
The bookkeeper opens the mail, makes deposits, prepares checks, receives bank statements/ canceled checks and prepares the bank reconciliations. The bookkeeper also records all receipts and disbursements and makes all journal entries in the accounting software.

Cause:
The Authority relies on one person to perform all accounting duties.

Effect:
The potential effect is the loss of assets due to not being able to detect losses from fraud or error.

Recommendation:
Separation of duties is one of the most effective controls to prevent or detect misappropriations of assets. When possible, incompatible duties should be performed by different individuals. For example, the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets should be assigned to different people in the Authority to the extent possible.

Delaware County Solid Waste Authority
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FINDINGS - FINANCIAL STATEMENT AUDIT (continued)

2011-4 Bank Reconciliations

Criteria:
Bank reconciliations are required under Generally Accepted Accounting Procedures (GAAP) and are the primary control over cash.

Condition:
The tax deposit bank account reflected a deposit on June 27, 2011 from the Operating account of $40,000, however the trial balance did not reflect the $40,000 deposit, nor did the Operating account show the transfer of this amount.

Cause:
The Authority performs monthly reconciliation on the tax deposit account and the Operating account but did not account for the June 27, 2011 transfer/deposit as the bank statements run from the 27th of the month to the 25th of the next month.

Effect:
The tax deposit account was understated and the Operating account was overstated by $40,000.00.

Recommendation:
The authority should have controls in place that require monthly bank reconciliations on all cash and investment accounts. The reconciliations should be reviewed and approved by someone other than the preparer and should consider the time frame being reconciled even if the bank statements do not end on the last day of the month.

Delaware County Solid Waste Authority
Schedule of Findings and Comments
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FINDINGS - FINANCIAL STATEMENT AUDIT (continued)

2011-5 Accounts Receivable and Allowance for Doubtful Accounts

Criteria:
Generally Accepted Accounting Principles (GAAP) requires the recognition of losses due to uncollectible amounts on receivables.

Condition:
The Authority does not currently estimate an allowance for uncollectible account receivable.

Cause:
The Authority has no policy regarding the estimation of uncollectible accounts.

Effect:
The potential effect is the overstatement of the accounts receivable and revenue accounts and the risk of material misstatement of the financial statements.

Recommendation:
The authority should implement procedures to estimate losses due to uncollectible amounts through a systematic methodology. The systematic methodology should be based on analysis of both individual accounts and group of accounts as a whole. The allowance of uncollectible amount should be re-estimated on each annual financial reporting date, at a minimum, and when information indicates that the latest estimate is no longer correct.