Financial Statements and Reports of
Independent Certified Public Accountant

Delaware County
Solid Waste Authority

June 30, 2013

TURNER & ASSOCIATES, PLC
Certified Public Accountants
P.O. Box 378
Vinita, OK 74301
918.256.6788

Delaware County Solid Waste Authority
Table of Contents

TURNER
& ASSOCIATES, PLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Delaware County Solid Waste Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the special revenue fund activities of the Delaware County Solid Waste Authority, as of June 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Turner & Associates, PLC

Vinita, Oklahoma
February 7, 2014

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 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, the financial statements of the business-type activities of the Delaware County Solid Waste Authority, County of Delaware, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Delaware County Solid Waste Authority's financial statements, and have issued our report thereon dated February 7, 2014. The Delaware County Solid Waste Authority 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Delaware County Solid Waste Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of Delaware County Solid Waste Authority's internal control.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, 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.

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 2013-1 and 2013-3, described in the accompanying schedule of findings and responses 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Delaware County Solid Waste Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-2.

Delaware County Solid Waste Authority Response to Findings

The Delaware County Solid Waste Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Delaware County Solid Waste Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Turner & Associates, PLC

Vinita, Oklahoma
February 7, 2014

Delaware County Solid Waste Authority
Statement of Net Position
June 30, 2013

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	310,795.72
Accounts Receivable		162,034.39
Lease Receivable		7,500.00
Due from Other Governments		279,375.39
Total Current Assets		759,705.50
Noncurrent Assets		
Restricted Assets:		
Cash and Cash Equivalents		8,818.96
Capital Assets:		
Land		24,249.00
Property, Plant and Equipment, Net of Accumulated Depreciation		362,879.48
Total noncurrent assets		395,947.44
TOTAL ASSETS		1,155,652.94
LIABILITIES		
Current Liabilities		
Accounts Payable		2,688.34
Accrued Payables		28,052.77
Accrued Interest		43.09
Current Portion of Long-Term Debt		61,728.94
Total Current Liabilities		92,513.14
Noncurrent Liabilities		
Notes Payable, net of current portion		77,696.42
TOTAL LIABILITIES		170,209.56
NET POSITION		
Net investment in capital assets		247,703.12
Restricted		8,818.96
Unrestricted		728,921.30
TOTAL NET POSITION	$	985,443.38

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 Position
For the Year Ended June 30, 2013

Operating Revenues	
Sales Tax	$ 1,503,103.17
Solid Waste Revenues	792,009.61
Other Revenues	15,382.00
Total Operating Revenues	2,310,494.78
Operating Expenses	
Advertising	207.04
Depreciation	146,281.93
Drug Testing	1,598.50
Dues & Licenses	895.00
Fuel	347,334.40
Insurance	115,632.00
Landfill and Tip Fees	524,880.33
Legal & Audit	10.00
Toll Fees	7,783.19
Miscellaneous	10,263.24
Office Expense	132.93
Personal Services	671,924.19
Employee Benefits	215,594.11
Postage	362.00
Repairs and Maintenance	82,485.67
Safety Expenses	1,170.00
Taxes	58,268.02
Supplies	1,848.71
Tires	37,495.37
Travel	283.02
Trustee fees	1,750.00
Uniforms	7,635.70
Utilities and Telephone	20,959.19
Welding	2,269.27
Total Operating Expenses	2,257,063.81
Operating Income	53,430.97
Non-Operating Revenues (Expenses)	
Interest Income	821.62
Interest Expense	(4,840.46)
Total Non Operating Revenues (Expenses)	(4,018.84)
Change in Net Position	49,412.13
Total net position, beginning	936,031.25
Total net position, ending	$ 985,443.38

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, 2013

Cash Flows from Operating Activities		
Cash Inflows:		
Payments Received from Customers	$	797,252.61
Payments Received from Other Governments		1,530,945.85
Other Income		7,882.00
Total Cash Provided		2,336,080.46
Cash Outflows:		
Payments for Salaries and Benefits		946,186.37
Payments to Suppliers for Goods and Services		1,201,961.73
Total Cash Used		2,148,148.10
Net Cash Provided (Used) by Operating Activities		187,932.36
Cash Flows from Capital and Related Financing Activities		
Principal Payments of Notes		(86,713.53)
Interest Payments of Notes		(8.71)
Net Cash Provided (Used) by Capital and Related Financing Activities		(86,722.24)
Cash Flows from Investing Activities		
Interest Received from Investments		821.62
Net Cash Inflow (Outflow) from All Activities		102,031.74
Cash and Cash Equivalents, Beginning of Year		217,582.94
Cash and Cash Equivalents, End of Year	$	319,614.68
Unrestricted	$	310,795.72
Restricted		8,818.96
Cash and Cash Equivalents, End of Year	$	319,614.68

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, 2013

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Net Operating Income (Loss)	$	53,430.97
Depreciation		146,281.93
(Increase) Decrease in:		
Accounts Receivable		(14,825.70)
Due from Other Governments		27,842.68
Disposal of capital assets		7,728.24
Increase (Decrease) in:		
Accounts Payable		(33,875.71)
Accrued Vacation and Sick Leave		1,349.95
Net Cash Provided (Used) by Operating Activities	$	187,932.36

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, 2013

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 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. There are no component units.

B. Measurement Focus, Basis of Presentation, and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net assets. The operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 29, the Authority as elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB.

Delaware County Solid Waste Authority
Notes to the Financial Statements
For the Year Ended June 30, 2013

I. Summary of Significant Accounting Polices (continued)

B. Measurement Focus, Basis of Presentation, and Basis of Accounting (continued)

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 Position

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, 2013

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, 2013.
   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, 2013

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.

9. Recent Accounting Pronouncements

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* (GASB 61). GASB 61 modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that is would be misleading to exclude them, GASB 61 clarifies the matter in which that determination should be made and the types of relationships that generally should be considered in making the determination.

GASB 61 amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantially the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

The Authority adopted GASB 61 on July 1, 2012, which did not have a significant impact on the Authority's financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). The objective of GASB 63 is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The pronouncement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and

Delaware County Solid Waste Authority
Notes to the Financial Statements
For the Year Ended June 30, 2013

I. Summary of Significant Accounting Polices (continued)

D. Assets, Liabilities and Net Assets (continued)

9. Recent Accounting Pronouncements (continued)

their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement were effective for financial statements for periods beginning after December 15, 2011. The Authority adopted GASB 63 effective July 1, 2012. The adoption of the statement required the Authority to adopt the term "net position" as required. In addition, as required by GASB 63, the Authority determined as of June 30, 2013, there were no items of deferred inflows or outflows of resources, as presently defined, to be reported.

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. The Authority did not prepare a budget for 2013.

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, 2013, none of the Authority's deposits was exposed to custodial credit risk.

B. Changes in Capital Assets

Capital asset activity for the year was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital Assets				
Non-depreciable assets:				
Land	24,249.00	-	-	24,249.00
Total Non-depreciable assets	24,249.00	-	-	24,249.00
Depreciable assets:				
Buildings	392,624.48	-	-	392,624.48
Vehicles	1,685,410.24	-	-	1,685,410.24
Box Sites	154,529.48	-	-	154,529.48
Equipment	786,277.00	88,869.38	(48,298.81)	826,847.57
Total Depreciable Assets	3,018,841.20	88,869.38	(48,298.81)	3,059,411.77
Accumulated Depreciation:	(2,598,549.17)	(146,281.93)	48,298.81	(2,696,532.29)
Depreciable assets, net	420,292.03	(57,412.55)	-	362,879.48
Net Capital Assets	$ 444,541.03	$ (57,412.55)	$ -	$ 387,128.48

Delaware County Solid Waste Authority
Notes to the Financial Statements
For the Year Ended June 30, 2013

III. Detailed Notes Concerning the Funds (continued)

C. Long-Term Debt

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
2014	$ 8,196.84	$ 40.68	$ 8,220.70

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
2014	$ 36,869.91	$ 1,181.61	$ 38,051.52
2015	9,515.93	65.77	9,581.70
Totals	$ 46,385.84	$ 1,247.38	$ 38,051.52

A note payable due to Grand Savings Bank, secured by a 2013 Case 590SN Backhoe/Loader, in the principal amount of $88,869.38 was issued on March 11, 2013. The note bears interest at 3.650 % and is payable in monthly installments of $1,623.54 for a term of five years.

The note matures as follows:

Year Ended June 30,	Principal	Interest	Total
2014	$ 16,662.19	$ 2,820.29	$ 19,482.48
2015	17,280.63	2,201.85	19,482.48
2016	17,918.09	1,564.39	19,482.48
2017	18,888.09	895.39	19,783.48
2018	14,090.68	220.17	14,310.85
Totals	$ 84,839.68	$ 7,702.09	$ 92,541.77

Delaware County Solid Waste Authority
Notes to the Financial Statements
For the Year Ended June 30, 2013

III. Detailed Notes Concerning the Funds (continued)

C. Long-Term Debt (continued)

Debt service requirements for all notes payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2014	$ 61,728.94	$ 4,042.58	$ 65,771.52
2015	26,796.56	2,267.62	29,064.18
2016	17,918.09	1,564.39	19,482.48
2017	18,888.09	895.39	19,783.48
2018	14,090.68	220.17	14,310.85
Totals	$ 139,422.36	$ 8,990.15	$ 148,412.51

A. 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, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Notes Payable	$ 137,269.51	$ 88,869.38	$ 86,716.53	$ 139,422.36	$ 61,728.94

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 $45.00 per ton. The construction and demolition fee is $50.00 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.

Delaware County Solid Waste Authority
Notes to the Financial Statements
For the Year Ended June 30, 2013

IV. Other Information (continued)

C. Defined Benefit Pension Plan (continued)

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 February 7, 2014, 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.

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.

F. Correction of an Error

During the current year the beginning net position of $893,366.64 was overderstated by $1,550.73 in cash and accounts payable and understated by $44,215.34 in accounts receivable not having been posted to the general ledger. The net result is an understatement of $42,664.61 for an ending net position of $936,031.25.

Delaware County Solid Waste Authority
Schedule of Findings and Comments
For the Year Ended June 30, 2013

FINDINGS - FINANCIAL STATEMENT AUDIT

2013-1 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 June 30, 2013, 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 is a repeat finding.

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
Schedule of Findings and Comments
For the Year Ended June 30, 2013

FINDINGS - FINANCIAL STATEMENT AUDIT (continued)

2013-1 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.

Client Response:
We agree with this finding and will work to correct this.

Delaware County Solid Waste Authority
Schedule of Findings and Comments
For the Year Ended June 30, 2013

FINDINGS - FINANCIAL STATEMENT AUDIT (continued)

2013-2 Preparation of a Budget

Criteria:
According to Oklahoma State Statute (60 O.S., S. 176.G.) public trusts created pursuant to this section shall file annually, with their respective beneficiaries, copies of financial documents and reports sufficient to demonstrate the fiscal activity of such trust, including, but not limited to, budgets, financial reports, bond indentures, and audits. Amendments to the adopted budget shall be approved by the trustees of the public trust and recorded as such in the official minutes of such trust.

Condition:
The Authority is required by state statute to prepare and file a budget annually with its beneficiaries.

Cause:
Management was under the impression that the Authority was not required to prepare a budget; therefore a budget had never been prepared.

Effect:
The Authority is not in compliance with state statute.

Recommendation:
We recommend that the Authority implement procedures to prepare an annual budget.

Client Response:
Now that we are aware of the requirement to prepare and file a budget, we will have one completed for the year ending June 30, 2014.

Delaware County Solid Waste Authority
Schedule of Findings and Comments
For the Year Ended June 30, 2013

FINDINGS - FINANCIAL STATEMENT AUDIT (continued)

2013-3 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. This is a repeat finding.

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. Bank statements should be sent directly to a Board member for review and/or reconciliation.

Client Response:
We agree with this finding but based on the small size of the entity it is difficult to address this.