

**Northwestern Oklahoma Solid
Waste Disposal Authority**

**Independent Auditor's Report
and Financial Statements**

Year Ended June 30, 2023



Northwestern Oklahoma Solid Waste Disposal Authority
Table of Contents
For the year ended June 30, 2023

	<u>Page No.</u>
INDEPENDENT AUDITOR’S REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Net Position - Modified Cash Basis	3
Statement of Revenues, Expenses and Changes in Net Position - Modified Cash Basis	4
Statement of Cash Flows - Modified Cash Basis	5
NOTES TO THE FINANCIAL STATEMENTS	6-16
OTHER SUPPLEMENTARY INFORMATION:	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northwestern Oklahoma Solid Waste Disposal Authority

Opinions

We have audited the accompanying modified cash basis financial statements of the business-type activities of the Northwestern Oklahoma Solid Waste Disposal Authority, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Northwestern Oklahoma Solid Waste Disposal Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of the Northwestern Oklahoma Solid Waste Disposal Authority, as of June 30, 2023, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Northwestern Oklahoma Solid Waste Disposal Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

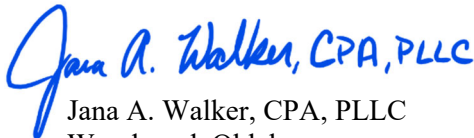
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Northwestern Oklahoma Solid Waste Disposal Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northwestern Oklahoma Solid Waste Disposal Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024, on our consideration of the Northwestern Oklahoma Solid Waste Disposal Authority'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 solely 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 effectiveness of the Northwestern Oklahoma Solid Waste Disposal Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwestern Oklahoma Solid Waste Disposal Authority's internal control over financial reporting and compliance.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
September 26, 2024

Northwestern Oklahoma Solid Waste Disposal Authority
Statement of Net Position - Modified Cash Basis
June 30, 2023

ASSETS

Current Assets:

Cash & cash equivalents	\$ 2,200,765
Total Current Assets	<u>2,200,765</u>

Noncurrent Assets:

Investment in Alfa, restricted	1,189,989
Building, improvements, and equipment	6,592,223
Less: Accumulated depreciation	<u>(3,233,409)</u>
Total Noncurrent Assets	<u>4,548,803</u>

Total Assets	<u><u>\$ 6,749,568</u></u>
--------------	----------------------------

LIABILITIES AND NET POSITION

Current Liabilities:

Customer Deposits	\$ 500
Investment Contribution Payable	72,000
Notes Payable, Current Portion	<u>92,902</u>
Total Current Liabilities	165,402

Long-Term Notes Payable	<u>81,640</u>
Total Liabilities	<u><u>\$ 247,042</u></u>

Net Position

Invested in capital assets, net of related debt	3,184,272
Restricted	1,189,989
Unrestricted	<u>2,128,265</u>
<i>Total net position</i>	<u>6,502,526</u>
Total Liabilities and Net Position	<u><u>\$ 6,749,568</u></u>

The accompanying report and notes are an integral part of these financial statements

Northwestern Oklahoma Solid Waste Disposal Authority
Statement of Revenues and Expenses and Changes in Net Position
Modified Cash Basis
For the year ended June 30, 2023

Operating revenues:	
Sales	\$ 1,764,513
Total Revenues	<u>1,764,513</u>
Operating Expenses	
Personal Services	497,098
Maintenance & operations	466,890
Depreciation	349,763
Total Expenses	<u>1,313,751</u>
Net operating income	<u>450,762</u>
Nonoperating revenue (expense)	
Interest Income	70,733
Miscellaneous Income	8
Gain/(Loss) on Sale of Fixed Assets	-
Escrow Earnings/(Loss) - ALFA	9,222
Interest Expense	(4,453)
Total nonoperating revenue (expense)	<u>75,510</u>
Change in net position	526,272
Net position at beginning of year	<u>5,976,254</u>
Net position at end of year	<u><u>\$ 6,502,526</u></u>

The accompanying report and notes are an integral part of these financial statements

Northwestern Oklahoma Solid Waste Disposal Authority
Statement of Cash Flows - Modified Cash Basis
For Year Ended June 30, 2023

Cash flows from operating activities:

Cash received from customers	\$ 1,764,513
Payments to suppliers	(466,890)
Payments to employees	(497,098)
Net cash provided (used) by operating activities	<u>800,525</u>

Cash flows from non-capital financing activities:

Net cash provided (used) by non-capital financing activities	<u>-</u>
	<u>-</u>

Cash flows from capital and related financing activities.

Proceeds from sale of capital assets	-
Purchase of capital assets	(111,378)
Issuance of new debt	-
Principal paid on capital debt	(88,449)
Interest paid on capital debt	(4,453)
Net cash provided (used) by capital and related financing activities	<u>-</u>
	<u>(204,280)</u>

Cash flows from investing activities:

Investment income	70,733
Purchase of investments	(63,000)
Other Proceeds	8
Net cash provided (used) by investing activities	<u>7,741</u>

Net Increase (Decrease) in Cash and Cash Equivalents 603,986

Cash balance, beginning of year \$ 1,596,779

Cash balance, end of year \$ 2,200,765

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	\$ 450,762
Depreciation	349,763
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Change in assets and liabilities:	<u>-</u>
Net cash provided by operating activities	<u><u>\$ 800,525</u></u>

The accompanying report and notes are an integral part of these financial statements

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Northwestern Oklahoma Solid Waste Authority (the “Authority”) was created in May 1993 under the provisions of Title 60 of the Oklahoma Statutes (1992 Supp) Sections 176 et seq. as amended and supplemented, the Oklahoma Trust Act, and the laws of the State of Oklahoma. The Authority was created for the use and benefits of Woodward County, Ellis County, Harper County and Dewey County, Oklahoma and for the use of individuals or entities for waste disposal.

The Authority is governed by a Board of Trustees, made up of county commissioners from each participating county that acts as the authoritative and legislative body of the entity.

Measurement Focus, Basis of Accounting, and Presentation

The accompanying financial statements have been prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The accounting policies of the Authority confirm to the basic principles of governmental accounting and financial reporting set forth by the Governmental Accounting Standards Board. Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

For financial reporting purposes, the Authority is considered a special-purpose government engaged only in business-type activities. Accordingly, the Authority’s financial statements have been presented using the economic resources measurement focus. The accounting objective of the economic resource measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with the Authority’s activities are reported.

Basis of Accounting

The Authority is classified as an Enterprise Fund. The costs of providing services to the public are financed mainly through user charges. These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued):

The statements of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for certain modifications that have substantial support in generally accepted accounting principles. The Authority has chosen to include adjustments for the following balances arising from cash transactions:

- Capital assets and the depreciation of those assets, where applicable
- Long-term debt
- Investments
- Customer deposits

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

As a result of the Authority's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid, are not reflected in the financial statements as liabilities, but are normally reported as a commitment disclosure.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority considers all unrestricted accounts and deposits with a maturity of three months or less to be cash equivalents.

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 are maintained by the trustee bank's trust department and are covered by FDIC insurance.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Public trusts created under O.S. Title 60 are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2023, the Authority complied, in all material respects, with these investment restrictions.

Northwestern Oklahoma Solid Waste Authority
Notes to Financial Statements
For the year ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued):

The deposits and investments held at June 30, 2023, are as follows:

Type	Maturity Date	Credit Rating	Market Value	Cost
Cash Deposits	N/A	N/A	\$ 2,200,765	\$ 2,200,765
Investments	N/A	N/A	1,064,999	1,189,989
Total Deposits and Investments			<u>\$ 3,265,764</u>	<u>\$ 3,390,754</u>

Property and Equipment

Depreciable assets are recorded at cost when purchased. Assets donated are recorded at fair market value when received. Major maintenance activities, if they extend the expected useful life of the asset, are capitalized and depreciated.

Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Building and Improvements	39 years
Machinery and Large Equipment	5-15 years
Small Equipment and Vehicles	5-10 years

Income Tax

As provided in Title 60, Oklahoma Statutes, the Authority is a tax-exempt public trust; consequently, no provision has been made for income taxes.

Budget

The Authority as a public trust is required by state law to adopt an annual budget.

Inventories

The Authority does not place a value on any of its inventory for financial statement purposes; consequently, materials, supplies, and replacement parts are not included as assets, and the cost of these items has been charged against income as repairs and maintenance expense at the time of purchase. Expenditures for major renewals and betterments which extend the useful lives of property and equipment are capitalized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued):

Equity Classifications

Net position is displayed in three components:

- a. Net investment in capital assets – The amount restricted consists of capital assets included 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 position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation
- c. Unrestricted net position – All remaining net position that does not meet the definition of “restricted”

The Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Fair Value Measurement

Level 1- Inputs to the value methodology are quoted prices available in active markets for identical investments as of the reporting date.

Level 2- Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of model or other valuation methodologies; and

Level 3- Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Authority’s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of

Northwestern Oklahoma Solid Waste Authority
Notes to Financial Statements
For the year ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued):

markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Authority in determining fair value is greatest for investments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy in which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement.

Investments

Investments have been stated at cost in accordance with the modified cash basis of accounting. In accordance with FASB Accounting Standards Codification No. 958-302, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position. Net unrealized and realized gains and losses on investments are included in the statements of activities as changes in unrestricted net assets. See note disclosure 1, Cash & Cash Equivalents for the market value.

Compensated Absences

As a result of the Authority's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2023, is \$5,156.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis 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 expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Classification of Revenues

Operating revenues include activities that have the characteristics of exchange transactions; such as sales and services. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB No. 9 Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, such as state appropriations, governmental and other pass-through grants, and investment income.

Northwestern Oklahoma Solid Waste Authority
Notes to Financial Statements
For the year ended June 30, 2023

NOTE 2 – CASH AND CASH EQUIVALENTS:

For purposes of the financial statements, cash equivalents consist of deposits in checking accounts. As of June 30, 2023, the Authority held a cash balance of \$2,200,765. A credit risk exists when deposits held at a financial institution are in excess of FDIC insured amounts of \$250,000. Assets were secured with in eight FDIC Insured Institutions through the Authority's ICS account.

NOTE 3 – PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost, if purchased, or at fair market value if donated as follows:

	Balance June 30, 2022	Deletions	Additions	Balance June 30, 2023
Fixed Assets:				
Building, Improvements	\$ 295,952	\$ -	\$ 111,892	\$ 407,844
Equipment	6,141,789	-	42,590	6,184,379
	<u>6,437,741</u>	<u>-</u>	<u>154,482</u>	<u>6,592,223</u>
Less Accumulated Depreciation:				
Building, Improvements	49,641	-	5,603	55,244
Equipment	2,834,005	-	344,160	3,178,165
	<u>2,883,646</u>	<u>-</u>	<u>349,763</u>	<u>3,233,409</u>
Fixed Assets, net	<u>\$ 3,554,095</u>	<u>\$ -</u>	<u>\$ (195,281)</u>	<u>\$ 3,358,814</u>

Total depreciation for the year ending June 30, 2023 was \$349,763.

NOTE 4 – NOTES PAYABLE:

In May 2023, the Authority entered into a loan with The Stock Exchange Bank for \$270,273. The note carries interest at 2.000% with monthly payments of \$7,742. The note matures on May 10, 2025.

Notes Payable	Balance at July 1, 2022	Amount Issued	Amount Retired	Balance at June 30, 2023	Due Within One Year
Stock Exchange Bank	262,991	-	(88,449)	174,542	92,902
Total	<u>\$ 262,991</u>	<u>\$ -</u>	<u>\$ (88,449)</u>	<u>\$ 174,542</u>	<u>\$ 92,902</u>

Northwestern Oklahoma Solid Waste Authority
Notes to Financial Statements
For the year ended June 30, 2023

NOTE 4 – NOTES PAYABLE-(Continued):

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2023:

Year Ending June 30	Stock Exchange Bank	
	<u>Principal</u>	<u>Interest</u>
2024	92,902	2,674
2025	81,640	847
Totals	<u>\$ 174,542</u>	<u>\$ 3,521</u>

NOTE 5 – LANDFILL CLOSURE AND POST-CLOSURE CARE LIABILITY

Oklahoma laws and regulations require NWOSDA to perform certain closure activities for its landfill and to provide certain maintenance and monitoring functions at the site for thirty years after it ceases operations. Since closure and post-closure care costs will be paid only near or after the date the facility stops accepting waste, NWOSDA does not report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date in accordance with the modified cash basis of accounting. If they had, the \$1,235,453 would be reported as "Landfill Closures/Post-Closure Cost" at June 30, 2023, represents the cumulative amount to date based on the use of 29.08% of the estimated capacity of the landfill. NWOSDA will recognize the remaining estimated cost of closure and post-closure care of \$3,013,010 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care at the site in 2023.

However, NWOSDA expects its landfill to remain in operation for another 26 years with closure scheduled for the year 2049. Therefore, actual cost may be higher due to inflation, changes in technology, or changes in laws and regulations.

NWOSDA is also required by Federal and State regulations to provide evidence of financial assurance that funds are available to properly close the facility and to perform post-closure care for thirty years after the facility has stopped accepting waste. NWOSDA is in compliance with this requirement and, as evidence of the financial assurance obligation; NWOSDA is a member of and has entered into a participation agreement with the Association for Landfill Financial Assurance (ALFA), an Oklahoma not-for-profit corporation.

ALFA is joint venture of local government owners and operators of landfills, including NWOSDA and is authorized by Oklahoma statute to serve as an approved financial assurance mechanism for its members (see NOTE 6).

NOTE 5 – LANDFILL CLOSURE AND POST-CLOSURE CARE LIABILITY-Continued

NWOSDA periodically deposits a portion of the revenues derived from the operation of its landfill to a common escrow account managed by ALFA in amounts calculated to aggregate the estimated total cost of closure and post-closure care over the remaining operating life of the facility and through the post-closure period such amounts are determined in accordance with the terms of the joint venture agreement between NWOSDA and ALFA. NWOSDA expects that future inflation costs will be paid from investment earnings on these restricted assets.

However, if investment earnings are inadequate or if additional closure and post-closure care expenditures are deemed necessary due, for example, to changes in technology or applicable laws or regulations, then these costs may need to be covered by charges to future landfill users or from future borrowing.

NOTE 6 – JOINT VENTURES

NWOSDA is a participant with other Oklahoma local governments in the Association for Landfill Financial Assurance (ALFA) to fund landfill closure and post-closure care costs (see NOTE 5). ALFA is a not-for-profit Oklahoma corporation authorized by state law and approved by the Oklahoma Department of Environmental Quality as a financial assurance mechanism for landfill closure and post-closure care costs on behalf of each ALFA participant. ALFA's board of directors consists of one representative from each government.

In accordance with the terms of the joint venture agreement with ALFA, NWOSDA is obligated to pay a share of ALFA's operating budget each year in the form of participation fees. Through June 30, 2023, NWOSDA paid \$13,980 in such fees, which were reported in Participation Fees. The joint venture agreement also requires that NWOSDA establish a "Funding Program" through ALFA to accumulate the estimated costs of closing and providing thirty years of maintenance and monitoring of its landfill by the time the landfill ceases operations. The amounts required for the Funding Program are determined by formula. Each ALFA member deposits funds annually into a common escrow account managed by ALFA. NWOSDA's funding for 2021-2023 was \$72,000. In that regard, NWOSDA's proportionate share of the net investment earnings in the escrow account, which includes unrealized gains and losses on investments, amount to \$9,222 which are reported as "Income (Loss) from Joint Venture".

The sum of the deposits made and NWOSDA's share of the net income or loss on the escrow account represent the equity interest in this joint venture. At June 30, 2023, NWOSDA's equity interest totaled \$1,189,989 which is reported as "Investment in ALFA" on the balance sheet. Financial statements for the Association for Landfill Financial Assurance may be obtained from its administrative offices at 100 E Street SW, Suite 200, Ardmore, OK 73401.

Northwestern Oklahoma Solid Waste Authority
Notes to Financial Statements
For the year ended June 30, 2023

NOTE 7 – EMPLOYEE BENEFIT PLAN:

The Authority participates in Oklahoma Public Employees Retirement System (OPERS).

DEFINED BENEFIT PLAN

The defined benefit plan administered by OPERS is qualified under Section 401(a) of the Internal Revenue Code. The plan provides a lifetime retirement benefit when employees meet certain eligibility requirements. The Authority contributes 16.5% for each employee each pay period while employees contribute 3.5% of their salary each pay period to OPERS. The paid contributions are invested by OPERS, under the direction of the Board of Trustees, to provide benefits to present and future members of the System. The amount of contributions does not determine the amount of the benefit OPERS promises you. Rather, OPERS retirement benefits are based on formulas. Employees are vested when they have eight years of credited service, including six full years of full-time-equivalent employment. Total contribution expense was \$52,124 for fiscal year 2023. A copy of the OPERS financial statements can be obtained from Oklahoma Public Employees Retirement System, 2101 N. Lincoln Blvd., Room 580, Oklahoma City, OK 73105.

The Authority provides each employee medical, vision, dental and group life insurance through Oklahoma Public Employees Health and Welfare Plan (OPEHW HEALTH PLAN). The Authority also pays 75% of the employees' spouse and family medical, vision and dental insurance. Total expense for health insurance was \$74,765 for fiscal year 2023.

NOTE 8 – RISK MANAGEMENT:

The Authority is exposed to various risk of loss as follows:

<u>Types of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
General Liability	The Authority	If claims exceed pool
- Torts	participates in a public	assets, the Authority
- Error and Omissions	entity risk pool –	would have to pay its
- Officer Liability	Association of County	share of the pool
- Vehicle	Commissioners of	deficit.
	Oklahoma – Self Insured	
	Group (ACCO-SIG)	
Physical Plant	The Authority	If claims exceed pool
- Theft	participates in a public	assets, the Authority
- Damages to Assets	entity risk pool –	would have to pay its
- Natural Disasters	ACCO-SIG.	share of the pool
		deficit.

NOTE 8 – RISK MANAGEMENT-(Continued):

Worker's Compensation - Employees' Injuries	The Authority participated in a public entity risk pool – ACCO-SIF	If claims exceed pool assets, the Authority would have to pay its share of the pool deficit.
Health and Life - Medical - Disability - Dental - Life	The Authority carries commercial insurance for these types of risk.	None

ACCO-SIG

The pool operates self-insured governmental risk pool and is to be self- sustaining through member premiums. Each participating member pays a deductible amount on a per occurrence basis as stated in the "Certificate of Participation." The risk pool pays legitimate claims in excess of the pool members deductible that range from 10,000, 25,000 and 50,000 dollars maximum per fiscal year. The Authority has a \$10,000 deductible with a \$50,000 deductible stopping point. If the deductible stopping point is reached the Authority will not have a deductible for the remainder of that policy term. The pool acquires reinsurance through County Re Limited (CRL) to cover claims in excess of \$250,000 on property claims and in excess of \$500,000 on liability claims. The pool, established in 1986, has never had to assess additional premiums to be paid by its members.

ACCO-SIF

ACCO-SIF purchases a group workman's compensation policy from Compsource Mutual Insurance Company that applies on a first dollar basis on all workman's compensation claims. ACCO-SIF ceased being a self-insured governmental risk pool back in March of 1999. Since that point in time ACCO-SIF has been covered through Compsource Mutual Insurance Company. All claims are handled in-house by workman's compensation adjusters that are employed with the Association of County Commissioners of Oklahoma.

NOTE 9– CONCENTRATIONS:

The Authority receives approximately 46% of its total revenue from Harper Sanitation Service Inc. Loss of that revenue could have a material impact on the financial position of the Authority as a whole.

Northwestern Oklahoma Solid Waste Authority
Notes to Financial Statements
For the year ended June 30, 2023

NOTE 10 – LANDFILL LEASE AGREEMENT:

The Authority entered into a landfill lease agreement with Gary and Betty Oblander for the full use of 108.040 acres of land. The agreement began the 1st day of August 2019 and can be renewed by the parties each year, for a period of five (5) years. Said five (5) year period will end on the 31st day of July 2024. At the end of the five-year period the parties will re-evaluate as to where the future site of the Landfill operations should be located. The Authority agrees to pay \$10,000 to lessor as rent for the period of August 1, 2021 through July 31, 2023. The Authority must maintain a Type II, Class I permit only for the operation of a “Type II Facility” as defined by the Oklahoma State Department of Environmental Quality. The operation of the landfill shall be operated in strict compliance with Subtitle D of the Resources Conservation and Recovery Act. The lessor may use portions of the land for his own benefit, which is not inconsistent with the lessee’s use.

Year Ending June 30	Minimum Lease Obligation Payments
2024	10,000
Totals	<u>\$ 10,000</u>

NOTE 11 – CONTINGENCIES:

The nature of the Authority’s business may result in claims and litigation alleging that the Authority is liable for damages arising from the conduct of its employees or others. In the opinion of management, there are no pending legal proceedings that would have a material effect on the financial position or results of operations of the Authority.

NOTE 12 – EVALUATION OF SUBSEQUENT EVENTS:

Management has evaluated subsequent events through September 26, 2024, and believes that there are no subsequent events that are not disclosed which would be required. September 26, 2024, is the date that the financial statements were available to be issued.

INDEPENDENT AUDITOR'S 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*

To the Board of Directors
Northwestern Oklahoma Solid Waste Disposal Authority

We have audited, in accordance with the 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 Northwestern Oklahoma Solid Waste Disposal Authority, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Northwestern Oklahoma Solid Waste Disposal Authority's basic financial statements, and have issued our report thereon dated September 26, 2024.

Report on Internal Control over Financial Reporting

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

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. 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.

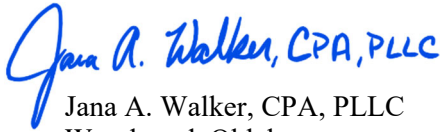
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwestern Oklahoma Solid Waste Disposal Authority's financial statements are free from 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 financial statements. 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 matters that are required to be reported under *Government Auditing Standards*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
September 26, 2024