

AUDIT REPORT
LATIMER COUNTY SOLID WASTE
MANAGEMENT TRUST AUTHORITY
LATIMER COUNTY
WILBURTON, OKLAHOMA
JUNE 30, 2011

RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
500 SOUTH CHESTNUT
P.O. BOX 1015
BRISTOW, OK 74010-1015

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Latimer County Solid Waste Management Trust Authority
Latimer County
Wilburton, Oklahoma

I have audited the accompanying financial statements of the business-type activities of Latimer County Solid Waste Management Trust Authority, Latimer County, Wilburton, Oklahoma as of and for the year ended June 30, 2011, which collectively comprise Latimer County Solid Waste Management Trust Authority, Latimer County, Wilburton, Oklahoma's basic financial statements. These financial statements are the responsibility of Latimer County Solid Waste Management Trust Authority, Latimer County, Wilburton, Oklahoma's management. My responsibility is to express an opinion on these financial statements based on my audit.

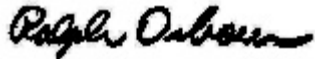
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note A, Latimer County Solid Waste Management Trust Authority, Latimer County, Wilburton, Oklahoma prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the business-type activities of Latimer County Solid Waste Management Trust Authority, Latimer County, Wilburton, Oklahoma as of June 30, 2011, and the respective changes in financial position-modified cash basis and cash flows thereof for the year ended, in conformity with the basis of accounting described in Note A.

Latimer County Solid Waste Management Trust Authority, Latimer County, Wilburton, Oklahoma has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statement.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 24, 2013, on my consideration of Latimer County Solid Waste Management Trust Authority, Latimer County, Wilburton, Oklahoma's internal control over financial reporting and my 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 my audit.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
January 24, 2013

LATIMER COUNTY SOLID WASTE MANAGEMENT TRUST AUTHORITY
LATIMER COUNTY
WILBURTON, OKLAHOMA
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2011

ASSETS

Current assets:

Cash and cash equivalents	\$ <u>851,414</u>
Total current assets	<u>851,414</u>

Non-current assets:

Capital assets:

Land	39,000
Other capital assets, net of accumulated depreciation	<u>336,650</u>
Total non-current assets	<u>375,650</u>

Total assets	<u>1,227,064</u>
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NET ASSETS

Nonspendable	375,650
Unassigned	<u>851,414</u>

Net assets	<u>\$ 1,227,064</u>
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The accompanying notes are an integral part of this financial statement.

LATIMER COUNTY SOLID WASTE MANAGEMENT TRUST AUTHORITY
LATIMER COUNTY
WILBURTON, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

OPERATING REVENUES

Charges for services:	
Sanitation	\$ 398,873
Total operating revenues	<u>398,873</u>

OPERATING EXPENSES

Personal services	533,607
Maintenance and operation	297,599
Depreciation	<u>78,050</u>
Total operating expenses	<u>909,256</u>
Operating income (loss)	<u>(510,383)</u>

NON-OPERATING REVENUE (EXPENSES)

Sales tax appropriated	<u>233,491</u>
Total non-operating revenue (expenses)	<u>233,491</u>
Net income (loss)	(276,892)
Total net assets, beginning	<u>1,503,956</u>
Total net assets, ending	<u>\$ 1,227,064</u>

The accompanying notes are an integral part of this financial statement.

LATIMER COUNTY SOLID WASTE MANAGEMENT TRUST AUTHORITY
LATIMER COUNTY
WILBURTON, OKLAHOMA
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Cash flows from operating activities:	
Cash received from customers	\$ 398,873
Cash payments to employees	(533,607)
Cash payments to suppliers for goods and services	<u>(297,599)</u>
Net cash provided (used) by operating activities	<u>(432,333)</u>
Cash flow from non-capital financing activities:	
Sales tax appropriation	<u>233,491</u>
Net cash provided by non-capital financing sources	<u>233,491</u>
Net increase in cash and cash equivalents	(198,842)
Cash and cash equivalents, beginning	<u>1,050,256</u>
Cash and cash equivalents, ending	<u><u>\$ 851,414</u></u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities	
Operating income (loss)	\$ (510,383)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	<u>78,050</u>
Net cash provided by operating activities	<u><u>\$ (432,333)</u></u>

The accompanying notes are an integral part of this financial statement.

LATIMER COUNTY SOLID WASTE MANAGEMENT TRUST AUTHORITY
LATIMER COUNTY
WILBURTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Latimer County Solid Waste Management Trust Authority (the "Authority") was created July 15, 1993 under the provisions of Title 60, Oklahoma Statutes, Section 176 to 180.4 inclusive. The beneficiary of the Trust is the Board of County Commissioners of Latimer County, Oklahoma. The Authority is managed by a three member Board of Trustees. The Latimer County Commissioners appoint one trustee representing each County Commissioner District.

The Authority was created for the purpose of providing sanitation services for Latimer County. In fulfilling this purpose, the Authority operates sanitation trucks collecting solid waste in the county. The Authority does not own or operate a landfill.

Government-Wide and Fund Financial Statements

The Authority is a special purpose governmental entity engaged only in business type activities. The Authority prepares financial statements required for enterprise funds.

Measurement Focus and Basis of Accounting

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

In the financial statements business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported within the limits of the modified cash basis. Fund equity is classified as net assets.

Basis of Accounting

In the financial statements, business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

LATIMER COUNTY SOLID WASTE MANAGEMENT TRUST AUTHORITY
LATIMER COUNTY
WILBURTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 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. If the Authority utilized the basis of accounting recognized as generally accepted, the financial statements would use the accrual basis of accounting.

Fund Types and Major Funds

The Authority reports all activity within a single fund.

Investments

The Authority follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Authority considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Authority doesn't have investments at this time.

Capital Assets, Depreciation, and Amortization

The Authority's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported. Donated assets are stated at fair value on the date donated. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30
Utility system	5-60

Compensated Absences

Vacation benefits are earned by employees at the rate of six days every six months. An employee earns sick leave at the rate of six days every six months. A maximum of forty days sick leave may be accumulated. Employees with ten years of service receive seven and one-half days vacation and sick leave every six months worked. Under the modified cash basis of accounting, the Authority has not reported a liability for accumulated vacation and sick leave. Vacation and sick leave are reported as an expense when the employee is paid.

LATIMER COUNTY SOLID WASTE MANAGEMENT TRUST AUTHORITY
LATIMER COUNTY
WILBURTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Reserves and Designations

Reserves represent those portions of net assets not available for expenditure or legally segregated for a specific future use. Designated net assets represent tentative plans for future use of financial resources.

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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

The cash held by the Authority is in accounts managed by the Latimer County Treasurer. The County Treasurer is responsible for placing Authority cash in bank accounts. The bank balance at June 30, 2011 was covered by federal depository insurance or collateral held by the County Agent in the County's name.

NOTE C - CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated Land</u>
	<u>Buildings</u>	<u>Buildings Other Than</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>	
Business-type activities					
Balance, June 30, 2010	\$ -	\$ -	\$ 849,452	\$849,452	\$ 39,000
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2011	-	-	849,452	849,452	39,000
Accumulated Depreciation					
Balance, June 30, 2010	-	-	434,752	434,752	
Increase	-	-	78,050	78,050	
Decreases	-	-	-	-	
Balance, June 30, 2011	-	-	512,802	512,802	
Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 336,650</u>	<u>\$336,650</u>	<u>\$ 39,000</u>

LATIMER COUNTY SOLID WASTE MANAGEMENT TRUST AUTHORITY
LATIMER COUNTY
WILBURTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE C - CONTRACTS

The Authority has contracted with a landfill for the disposal of solid waste. The landfill is paid by the ton for disposal. The Authority does not operate or maintain a landfill. An interruption of this contract could affect the Authority's ability to collect and dispose of solid waste.

NOTE D - PENSION

Plan Description

The Authority contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Section 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information.

Funding Policy

The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates. District employees are required to contribute a minimum of 3.5% of earned compensation, and the District is required to contribute a minimum of 10.5% with the total aggregated contribution of 20%. Authority employees contribute 3.5% of earned compensation. The Authority contributes 16.5% of earned compensation. The Authority's contributions to the Plan for the years ending June 30, 2011, 2010 and 2009 were \$60,070, \$57,360 and \$65,459, respectively, equal to the required contributions for each year.

NOTE E - RISK MANAGEMENT

The Authority is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates through Latimer County, in a public entity risk pool. Settled claims resulting from these risks have not exceeded coverage in any part of the past three fiscal years.

NOTE F - SALES TAX

The voters of Latimer County approved a one-fourth percent sales tax for solid waste disposal. The levy was approved March 2, 1993 and had a five-year term. The levy was approved with a five-year term on March 10, 1998, March 4, 2003, and March 4, 2008.

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 Trustees
Latimer County Solid Waste Management Trust Authority
Latimer County
Wilburton, Oklahoma

I have audited the financial statements-modified cash basis of the business type activities of Latimer County Solid Waste Management Trust Authority, Latimer County, Wilburton, Oklahoma as of and for the year ended June 30, 2011, and have issued my report thereon dated January 24, 2013 which did not include Management's Discussion and Analysis. I conducted my 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 my audit, I considered Latimer County Solid Waste Management Trust Authority, Latimer County, Wilburton, Oklahoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Latimer County Solid Waste Management Trust Authority, Latimer County, Wilburton, Oklahoma's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Latimer County Solid Waste Management Trust Authority, Latimer County, Wilburton, Oklahoma's 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 combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

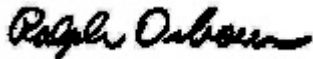
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Latimer County Solid Waste Management Trust Authority, Latimer County, Wilburton, Oklahoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
January 24, 2013