

AUDIT REPORT
LATIMER COUNTY SOLID WASTE
MANAGEMENT TRUST AUTHORITY
LATIMER COUNTY
WILBURTON, OKLAHOMA
JUNE 30, 2017

RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
500 SOUTH CHESTNUT
P.O. BOX 1015
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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 Latimer County Solid Waste Management Trust Authority, Latimer County, Wilburton, Oklahoma as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Latimer County Solid Waste Management Trust Authority, Latimer County, Wilburton, Oklahoma's basic financial statements.

Management's Responsibility 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 A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation 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 statement that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on our 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 the 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 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 judgement, 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

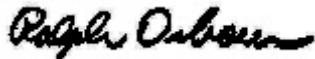
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position - modified cash basis of Latimer County Solid Waste Management Trust Authority, Latimer County, Wilburton, Oklahoma as of June 30, 2017, and the changes in its financial position - modified cash basis, for the year then ended in accordance with the basis of accounting described in Note A.

Basis of Accounting

I 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. My opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 17, 2018, 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* in considering *Latimer County Solid Waste Management Trust Authority, Latimer County, Wilburton, Oklahoma's* internal control over financial reporting and compliance.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
August 17, 2018

LATIMER COUNTY SOLID WASTE MANAGEMENT TRUST AUTHORITY
LATIMER COUNTY
WILBURTON, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2017

ASSETS

Current assets:

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ <u>995,984</u> |
| Total current assets | <u>995,984</u> |

Non-current assets:

Capital assets:

| | |
|---|----------------|
| Land | 39,000 |
| Other capital assets, net of accumulated depreciation | <u>496,533</u> |
| Total non-current assets | <u>535,533</u> |

| | |
|--------------|------------------|
| Total assets | <u>1,531,517</u> |
|--------------|------------------|

LIABILITIES

Current liabilities

| | |
|---------------------------|---------------|
| Payroll liabilities | 9,765 |
| Accounts payable | <u>27,587</u> |
| Total current liabilities | <u>37,352</u> |

| | |
|-------------------|---------------|
| Total liabilities | <u>37,352</u> |
|-------------------|---------------|

NET POSITION

| | |
|-------------------------------------|----------------|
| Capital assets, net of related debt | 535,533 |
| Unassigned | <u>958,632</u> |

| | |
|--------------|---------------------|
| Net position | <u>\$ 1,494,165</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 REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES

| | |
|--------------------------|----------------|
| Charges for services: | |
| Sanitation | \$ 391,943 |
| Total operating revenues | <u>391,943</u> |

OPERATING EXPENSES

| | |
|---------------------------|------------------|
| Personal services | 267,804 |
| Maintenance and operation | 211,489 |
| Depreciation | <u>29,597</u> |
| Total operating expenses | <u>508,890</u> |
| Operating income (loss) | <u>(116,947)</u> |

NON-OPERATING REVENUE (EXPENSES)

| | |
|--|---------------------|
| Sales tax appropriated | <u>84,498</u> |
| Total non-operating revenue (expenses) | <u>84,498</u> |
| Change in net position | (32,449) |
| Total net position, beginning | <u>1,526,614</u> |
| Total net position, ending | <u>\$ 1,494,165</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, 2017

| | |
|--|--------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 391,943 |
| Cash payments to employees | (258,039) |
| Cash payments to suppliers for goods and services | <u>(183,902)</u> |
| Net cash provided (used) by operating activities | <u>(49,998)</u> |
| Cash flow from non-capital financing activities: | |
| Sales tax appropriation | <u>84,498</u> |
| Net cash provided by non-capital financing sources | <u>84,498</u> |
| Cash flow from capital financing activities: | |
| Purchase of Fixed Assets | <u>(148,960)</u> |
| Net cash used by capital financing activities | <u>(148,960)</u> |
| Net increase in cash and cash equivalents | (114,460) |
| Cash and cash equivalents, beginning | <u>1,110,444</u> |
| Cash and cash equivalents, ending | <u>\$ 995,984</u> |
| Reconciliation of operating income (loss) to net cash provided by (used) by operating activities | |
| Operating income (loss) | \$ (116,947) |
| Adjustments to reconcile operating income to net cash used by operating activities: | |
| Depreciation | 29,597 |
| Used by Operating Activities: | |
| Changes in Assets and Liabilities | |
| Increase/(decrease) in payroll liabilities | 9,765 |
| Increase/(decrease) in accounts payable | <u>27,587</u> |
| Net cash provided by operating activities | <u>\$ (49,998)</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, 2017

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 five 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 position (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 position.

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 position/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, 2017

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, 2017

Reserves and Designations

Reserves represent those portions of net position not available for expenditure or legally segregated for a specific future use. Designated net position 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, 2017 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>Improvements Other Than Buildings</u> | <u>Furniture, Machinery, And Equipment</u> | <u>Totals</u> | |
| Business-type activities | | | | | |
| Balance, June 30, 2016 | \$ - | \$ - | \$ 803,502 | \$ 803,502 | \$ 39,000 |
| Increases | - | - | 148,960 | 148,960 | - |
| Decreases | - | - | - | - | - |
| Balance, June 30, 2017 | <u>-</u> | <u>-</u> | <u>952,462</u> | <u>952,462</u> | <u>39,000</u> |
| Accumulated Depreciation | | | | | |
| Balance, June 30, 2016 | - | - | 426,332 | 426,332 | |
| Increase | - | - | 29,597 | 29,597 | |
| Decreases | - | - | - | - | |
| Balance, June 30, 2017 | <u>-</u> | <u>-</u> | <u>455,929</u> | <u>455,929</u> | |
| Capital Assets, Net | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 496,533</u> | <u>\$ 496,533</u> | <u>\$ 39,000</u> |

NOTE D - 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.

LATIMER COUNTY SOLID WASTE MANAGEMENT TRUST AUTHORITY
LATIMER COUNTY
WILBURTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE E - 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. Authority employees are required to contribute a minimum of 3.5% of earned compensation, and the Authority 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, 2017, 2016 and 2015 were \$34,273, \$32,725 and \$39,063, respectively, equal to the required contributions for each year.

NOTE F - 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 G - 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, March 4, 2008, and December 31, 2013. In November 2016, the citizens elected to redirect and divide the one-fourth percent sales tax for a period of five years as follows: one-eighth percent to the Latimer County General Fund, one-sixteenth percent to Latimer County Solid Waste, and one-sixteenth to Latimer County 911. The change was effective December 1, 2016.

NOTE H - SUBSEQUENT EVENTS

The Authority has considered subsequent events through August 17, 2018, the date which the financial statements were available for release. The Authority does not believe there are any events requiring disclosure.

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

I 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 modified cash basis 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, 2017, and the related notes to the financial statements, which collectively comprise Latimer County Solid Waste Management Trust Authority, Latimer County's basic financial statements and have issued my report thereon dated August 17, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Latimer County Solid Waste Management Trust Authority, Latimer County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions 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's internal control. Accordingly, I do not express an opinion of the effectiveness of Latimer County Solid Waste Management Trust Authority, Latimer County'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.

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 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 may exist that have not been identified.

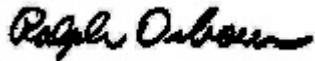
Compliance and Other Matters

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*.

Purpose of the 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
August 17, 2018