OKLAHOMA ENVIRONMENTAL MANAGEMENT AUTHORITY

Audited Financial Statements

June 30, 2022

OKLAHOMA ENVIRONMENTAL MANAGEMENT AUTHORITY

TABLE OF CONTENTS

Arledge
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Trustees and Management of
Oklahoma Environmental Management Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statements of financial position and the related statements of revenues, expenses, and change in net position and cash flows of Oklahoma Environmental Management Authority (the "Authority") as of and for the year ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the 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 financial position of the Authority, as of June 30, 2022 and 2021, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 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 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Pension Schedules and Related Ratios, and the OPEB Schedules and Related Ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Authority has omitted 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 part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022, on our consideration of the 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 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 the Authority's internal control over financial reporting and compliance.

Arledge & Associates P.C.

Arledge & Associates, P.C.

Edmond, Oklahoma
October 27, 2022

OKLAHOMA ENIRONMENTAL MANAGEMENT AUTHORITY

STATEMENTS OF NET POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,307,079	$ 2,127,174
Accounts receivable, net	576,433	761,111
Accrued interest receivable	-	1,164
Total current assets	2,883,512	2,889,449
Capital Assets:		
Land and improvements	1,387,850	1,387,850
Buildings	1,376,782	1,376,782
Computers	18,041	22,297
Office equipment and furniture	50,244	50,244
Software	90,809	90,809
Machinery and equipment	5,361,010	6,054,000
Containers	3,736,194	3,505,892
Automotive equipment	7,200,993	7,888,286
Rental property	618,475	618,475
	19,840,398	20,994,635
Less: accumulated depreciation	(14,681,588)	(16,070,799)
Capital assets, net	5,158,810	4,923,836
Other Assets		
Restricted investments	2,917,229	2,816,667
Net OPEB asset	119,480	39,292
Net Pension Asset	1,166,413	-
Other assets, net	4,203,122	2,855,959
Total assets	12,245,444	10,669,244
Deferred Outflows of Resources		
Pension related	330,094	575,668
OPEB related	26,327	35,261
Total deferred outflows	356,421	610,929
LIABILITIES		
Current liabilities:		
Accounts payable	335,367	273,006
Accrued interest payable	16,444	25,005
Accrued payroll expense	404,035	383,920
Customer deposits	157,593	149,053
Current portion of long-term debt	869,117	860,519
Total current liabilities	1,782,556	1,691,503
Long-term liabilities:		
Accounts payable	339,848	-
Accrued closure and post-closure costs	2,508,200	2,422,100
Long-term debt, net of current portion	1,449,918	2,336,566
Net pension liability	-	747,684
Total long-term liabilities	4,297,966	5,506,350
Total liabilities	6,080,522	7,197,853
Deferred inflows of resources:		
Pension related	1,330,092	4,086
OPEB related	72,750	33,259
Total deferred Inflows	1,402,842	37,345
NET POSITION		
Investment in capital assets, net	2,839,775	1,726,751
Restricted for closure/postclosure costs	409,029	394,567
Unrestricted	1,869,697	1,923,657
Total net position	$ 5,118,501	$ 4,044,975

OKLAHOMA ENIRONMENTAL MANAGEMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED June 30, 2022 and 2021

	2022	2021
OPERATING REVENUE		
Disposal fees and rolloff income	$ 2,576,628	$ 2,434,279
Waste collection contract hauling	4,903,046	5,243,413
Recycling income	156,701	103,466
Grant income	58,145	74,417
Total operating revenue	7,694,520	7,855,575
OPERATING EXPENSES		
Computer maintenance and repair	45,507	45,121
Bad debt	2,380	3,892
Closure and post-closure costs	86,100	86,949
Contract services	427,769	576,968
Depreciation	694,401	764,661
Employee retirement	(100,292)	469,561
Engineering	15,030	17,718
Fuel and diesel	537,776	353,728
Insurance	651,606	602,003
Landfill host fees	21,560	21,109
Legal and accounting fees	31,435	35,463
Office expense	19,764	24,254
Operating safety supplies	98,829	92,431
Payroll taxes	169,556	152,303
Permits, licenses and fees	4,853	18,249
Repairs and maintenance, net of insurance proceeds of $84,393 and $117,176	1,727,551	1,394,233
Salaries and wages	2,121,010	1,946,469
Utilities, GPS tracking and telephone	89,915	76,378
Waste disposal fees	113,900	115,498
Rental expense	114,316	100,713
Miscellaneous	121,340	87,120
Total operating expenses	6,994,306	6,984,821
Operating income (loss)	700,214	870,754
NON-OPERATING REVENUES (EXPENSES)		
Interest expense	(81,403)	(95,292)
Interest income	11,853	22,970
Miscellaneous income	142,445	47,295
Rent income	205,943	183,897
Gain on disposal of assets	94,474	1,087
	373,312	159,957
Change in net position	1,073,526	1,030,711
NET POSITION AT BEGINNING OF YEAR	4,044,975	3,014,264
NET POSITION AT END OF YEAR	$ 5,118,501	$ 4,044,975

OKLAHOMA ENIRONMENTAL MANAGEMENT AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 7,887,738	$ 7,789,791
Insurance proceeds received	84,393	117,176
Payments to employees for salaries and benefits	(2,544,439)	(2,370,907)
Payments to suppliers and others	(4,045,563)	(3,635,195)
Net cash provided by operating activities	1,382,129	1,900,865
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(589,527)	(1,194,670)
Proceeds from sale of capital assets	94,474	1,087
Interest paid on debt	(89,964)	(104,263)
Proceeds from long-term debt	-	1,960,616
Principal paid on long-term debt	(878,050)	(729,220)
Principal refinanced on long-term debt	-	(982,366)
Principal paid on capital lease	-	(41,004)
Net cash used in capital and related financing activities	(1,463,067)	(1,089,820)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchase) sale of restricted investments	(100,562)	(40,974)
Interest income received	13,017	28,897
Rental and other miscellaneous income received	348,388	231,192
Net cash provided by investing activities	260,843	219,115
NET INCREASE IN CASH AND CASH EQUIVALENTS	179,905	1,030,160
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,127,174	1,097,014
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,307,079	$ 2,127,174

OKLAHOMA ENIRONMENTAL MANAGEMENT AUTHORITY

RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES
FOR THE YEARS ENDED June 30, 2022 and 2021

	2022	2021
CHANGE IN NET OPERATING INCOME	$ 700,214	$ 870,754
ADJUSTMENTS TO RECONCILE CHANGE IN OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITES		
Depreciation	694,401	764,661
Provision (recovery) of bad debt	2,380	3,892
(Increase) decrease in accounts receivable	182,298	(85,477)
(Increase) decrease in prepaids	-	28,117
(Increase) decrease in net OPEB asset	(80,188)	(8,327)
(Increase) decrease in net pension asset	(1,166,413)	-
(Increase) decrease in deferred outflows	254,508	(360,308)
Increase (decrease) in accounts payable and accrued payroll	82,476	(8,656)
Increase (decrease) in deposits	8,540	15,801
Increase (decrease) in closure/post-closure costs	86,100	86,949
Increase (decrease) in net pension liability	(747,684)	641,596
Increase (decrease) in deferred inflows	1,365,497	(48,137)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,382,129	$ 1,900,865
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets acquired via accounts payable (non-current)	$ 339,848	$ -

NOTE A – ORGANIZATION

The Oklahoma Environmental Management Authority (the "Authority") was created March 15, 1971, under the name Canadian County Solid Waste Disposal Authority, for the use and benefit of the Beneficiary (Canadian County, Oklahoma) to furnish, construct, administer, and finance sanitary landfill services facilities for public purposes under the Laws of the State of Oklahoma (generally, but not exclusively, pursuant to Title 60, Sections 176 to 180 inclusive, Oklahoma Statutes, 1951, as amended, and to the Oklahoma Trust Act). The name was changed to the Oklahoma Environmental Management Authority on August 15, 1999.

The Authority's primary sources of revenue are derived from trash collection and landfill services in Canadian County, Oklahoma, and other nearby communities.

The Authority is the sole member of an inactive Limited Liability Company. Oklahoma Environmental Authority, LLC was formed by the Authority but has never been active. When this wholly owned subsidiary becomes active, it will be consolidated into the financial statements of the Authority.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Accounting Basis: The Authority has adopted the accrual basis of accounting, and as a proprietary activity has elected to apply all Financial Accounting Standards Boards (FASB) Statements issued after November 30, 1989, except those in conflict with Governmental Accounting Standards Board (GASB) Pronouncements.

The Authority has implemented GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments. GASB Statement No. 34 established a new financial reporting model for state and local governments that includes the addition of Management's Discussion and Analysis which management has elected to omit.

Cash and Cash Equivalents: For purposes of the Statements of Cash Flows, cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents are insured up to federal limits by the FDIC or collateralized.

Capital Assets: Capital assets are recorded at cost. Maintenance and repairs are expensed in the year incurred. Gains or losses on retirement, sales, or trade-ins are recorded in the year incurred. Depreciation is provided by the straight-line method over the estimated useful lives of the assets (generally 25 years for buildings; 10 to 25 years for improvements; 7.5 years for trucks; and 5 to 10 years for all other equipment).

Changes in Capital Assets/Rental Property: For the year ended June 30, 2022 and 2021, capital asset/rental property balances changed as follows:

	June 30, 2021	Additions	Disposals	June 30, 2022
Capital Assets	$ 20,994,635	$ 929,375	$ (2,083,612)	$ 19,840,398
Less: Accumulated Depreciation	(16,070,799)	(694,401)	2,083,612	(14,681,588)
Net	$ 4,923,836	$ 234,974	$ -	$ 5,158,810

	June 30, 2020	Additions	Disposals	June 30, 2021
Capital Assets	$ 20,014,401	$ 1,194,670	$ (214,436)	$ 20,994,635
Less: Accumulated Depreciation	(15,520,574)	(764,661)	214,436	(16,070,799)
Net	$ 4,493,827	$ 430,009	$ -	$ 4,923,836

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Investments: Investments are stated at fair market value. Restricted investments include certificates of deposit with original maturities that may exceed one year. These certificates of deposit are restricted as deposits designated for closure and post-closure costs.

Income Tax: As a Title 60 Public Trust, the Authority is exempt from income taxes.

Program Service Revenue and Accounts Receivable: Revenue consists of charges for Rural Subscription Waste Collection Services in Canadian County and surrounding areas; Commercial and Residential Waste Collection Services to ten municipalities in Central and West Central Oklahoma; Roll Off Services for large and small construction projects; and Recycling services in cooperation with various local and national recycling organizations.

Waste Collection Services provided by OEMA under long-term agreements with municipalities and rural individuals or businesses based on units and unit rates collected for the communities or individual. Units may be individual residence polycarts, retail dumpsters, or other types of waste collection items. Revenues are recorded over time based on monthly billings for services performed weekly and bi-weekly.

OEMA provides various size containers to businesses or individuals based on short term agreements at rates defined by size of container. Roll Off Revenues are recorded at a point in time when containers are returned to the facility for disposal, at which time payment is received.

Recycling revenue is recorded at a point in time when applicable waste has been transferred to the local or national recycling organizations and payment is received.

Accounts receivable are net of estimated uncollectible amounts. Management's estimate of the allowance for losses on receivables are based on OEMA's past loss experience, communication with attorneys, and review of individual accounts. The allowance for possible loss of accounts receivable as of June 30, 2022, and 2021 was $1,811 and $19,182, respectively.

Pension: For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pension and pension expense, information about the fiduciary net position of the Oklahoma Public Employees Retirement System (OPERS), and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. OPERS reports investments of the plan at fair value and benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Other Post Employment Benefits (OPEB): For purposes of measuring the net OPEB asset, deferred outflows and inflows of resources related to OPEB and related expense, information about the fiduciary net position of the Oklahoma Public Employees Retirement System (OPERS), and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. OPERS reports investments of the plan at fair value and benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Concentration of Risk: Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned, or the Authority will not be able to recover collateral securities that are in the possession of an outside party. The Authority was exposed to custodial credit risk of $1,258,464 at June 30, 2022.

Restricted Net Assets: Consists of net assets with constraints placed on the use 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.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30:

	2022	2021
Customers	$ 528,244	$ 780,293
Other	-	-
Less: allowance for uncollectible accounts	(1,811)	(19,182)
Total	$ 526,433	$ 761,111

NOTE D – FAIR VALUE MEASUREMENTS

Accounting Standards establish a framework for measuring fair value which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observed for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth the Authority's assets by level, within the fair value hierarchy:

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Restricted Certificates of Deposit	$ -	$ 2,917,229	$ -	$ 2,917,229
Total Assets at Fair Value	$ -	$ 2,917,229	$ -	$ 2,917,229

NOTE D – FAIR VALUE MEASUREMENTS (CONTINUED)

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Restricted Certificates of Deposit	$ -	$ 2,816,667	$ -	$ 2,816,667
Total Assets at Fair Value	$ -	$ 2,816,667	$ -	$ 2,816,667

NOTE E – LONG TERM DEBT AND LINE OF CREDIT

Long-term debt consists of the following at June 30:

	2022	2021
Direct Borrowings:		
Note payable to First Nationa Bank & Trust dated January 12, 2021, payable monthly, with interest at 2.9%. Secured by equipment. Matures January 2030.	466,758	521,571
Note payable to First Nationa Bank & Trust dated April 22, 2021, payable monthly, with interest at 2.7%. Secured by equipment. Matures April 2028.	531,944	614,972
Note payable to F&M Bank dated December 10, 2020, payable monthly, with interest at 2.35%. Secured by equipment. Matures October 2022.	25,225	99,684
Note payable to F&M Bank dated December 10, 2020, payable monthly, with interest at 2.55%. Secured by equipment. Matures December 2023.	146,799	241,542
Note payable to BancFirst dated June 29, 2021, payable monthly, with interest at 3.45%. Secured by equipment. Matures July 2028.	308,667	349,674
Direct Placements:		
Revenue note payable to F&M Bank, dated June 25, 2013, payable semi-annually with interest at 3.45%. Secured by revenues of the authority. Matures July 2023.	839,642	1,369,642
	2,319,035	3,197,085
Less: Current Maturities	(869,117)	(860,519)
Total	$1,449,918	$ 2,336,566

NOTE E – LONG TERM DEBT AND LINE OF CREDIT (CONTINUED)

For the year ended June 30, 2022 and 2021 the Authority's long-term debt changed as follows:

Type of Debt	Balance At June 30, 2021	Additions	Disposals	Balance At June 30, 2022	Amounts Due Within One Year
Bank Debt	$ 3,197,085	$ -	$ 878,050	$ 2,319,035	$ 869,117

Type of Debt	Balance At June 30, 2020	Additions	Disposals	Balance At June 30, 2021	Amounts Due Within One Year
Bank Debt	$ 2,948,055	$ 1,960,616	$ 1,711,586	$ 3,197,085	$ 860,519

Debt service requirements of long-term debt are as follows at June 30, 2022:

	Principal	Interest
2023	869,117	64,213
2024	522,460	39,314
2025	198,997	22,032
2026	205,026	15,912
2027	219,648	9,985
Thereafter	303,786	3,403
	$ 2,319,035	$ 154,859

NOTE F – LEASING ACTIVTIES

The Authority is the lessor of agricultural and commercial real estate. Both leasing activities are classified as operating leases with non-cancellable lease terms of one year or less.

NOTE G – PENSION AND OPEB PLANS

Pension Plan:

Plan Description: Substantially all full-time employees are participants in the Oklahoma Public Employees Retirement Plan. This is a cost-sharing, multiple-employer defined benefit plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature.

Benefits Provided: 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 statement and supplementary information.

Contributions: Authority employees are required to contribute 4% of earned compensation. The Authority contributions 16% of earned compensation. Contributions to the pension plan from the Authority were $244,146 and $219,759 for the years ended June 30, 2022 and 2021, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension: At June 30, 2022 and 2021, the Authority reported an asset of $1,166,413 and liability of $747,684 for its proportionate share of the net pension liability. The net pension asset was measured at June 30, 2021 for the 2022 asset and June 30, 2020 for the 2021 liability using an actuarial valuation as of July 1, 2021 and

NOTE G – PENSION AND OPEB PLANS (CONTINUED)

July 1, 2020, respectfully. The Authority's proportion of the net pension asset or liability was based on actual contributions made to the Plan during fiscal year 2021 and 2020, which are representative of the future contributions. At June 30, 2022 and 2021 the Authority's proportion was 0.08690560% and 0.0838057%.

For the year ended June 30, 2022 and 2021, the Authority recognized pension expense (benefits) of $(98,371) and $461,548, respectively. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2022		June 30, 2021	
	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 1,330,092	$ -	$ 4,086	
Net difference between projected and actual investment earnings on pension plan investments	-	85,948	-	355,909
Authority contributions susequent to the measurement date	-	244,146	-	219,759
	$ 1,330,092	$ 330,094	$ 4,086	$ 575,668

Deferred outflows of resources of $244,146 and $219,759 results from Authority contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows and Inflows, Net
2022	257,770
2023	309,455
2024	318,847
2025	358,072
	$ 1,244,144

Actuarial Assumptions: The total pension liability as of June 30, 2022 and 2021, was determined based on an actuarial valuation prepared as of July 1, 2021 and 2020 using the following assumptions:

Assumed inflation rate – 2.50%

Salary increases – 3.50% to 9.25% per year including inflation

Investment rate of return – 6.50%, compounded annually net of investment expense and including inflation

No annual post-retirement benefit increases

NOTE G – PENSION AND OPEB PLANS (CONTINUED)

Payroll growth – 3.25%

Actuarial cost method – entry age

Select period for the termination of employment assumptions – 10 years

Mortality rates for active participants and nondisabled pensioners were based on Mortality Table projected to 2030 by Scale MP-2019 (disabled pensioners set forward 12 years).

The actuarial assumptions used in both periods valuation are based on the results of the most recent actuarial experience study, which covered the three year period ending June 30, 2019. The experience study report is dated May 13, 2020.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the experience studies for both periods, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	34%	4.7%
U.S. Small Cap Equity	6%	5.8%
Int's Developed Equity	23%	6.5%
Emerging Market Equity	5%	8.5%
Core Fixed Income	25%	0.5%
Long Term Treasuries	3.5%	0.0%
US TIPS	3.5%	0.3%
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability was 6.5% net of investment expenses for all periods presented. The projection of cash flows used to determine the discount rate assumed that contributions from system members and the employers will be made at the current contribution rate as a set out in the state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected benefit payments of current system members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents the net pension liability of the System's employer calculated using the discount rate of 6.5%, as well as what the employers' liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

NOTE G – PENSION AND OPEB PLANS (CONTINUED)

	July 1, 2022		
Authority's proportionate share of the net pension (asset)	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
	$ (108,287)	$ (1,166,413)	$ (2,060,780)

Pension Plan Fiduciary Net Position: Substantially all full-time employees are participants in the Oklahoma Public Employees Retirement Plan. This is a cost-sharing, multiple-employer defined benefit plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature.

OPEB Plan:

Plan Description: Substantially all full-time employees are participants in the Oklahoma Public Employees Retirement Plan. This is a cost-sharing, multiple-employer defined benefit plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature.

Benefits Provided: OPERS pays a medical insurance supplemental to eligible members who elect to maintain health insurance with the Oklahoma Employees Group Insurance Division (EGID) or other qualified insurance plan provided by the employer. This subsidy continues until the retiree terminates health insurance coverage with EGID for another qualified plan, or until death. The subsidy is only for the retiree, not joint annuitants, or beneficiaries. The supplement payment is capped at $105 per month per retiree.

Contributions: Employees contribute as described in Note B; from this amount OPERS allocates a portion of the contribution to the supplemental health insurance program. Contributions allocated to the OPEB were $15,705 and $15,414 for the years ended June 30, 2022 and 2021, respectively.

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post Retirement Benefits: At June 30, 2022 and 2021, the Authority reported an asset of $119,480 and $39,292 for its proportionate share of the net other post-retirement benefit assets. The net OPEB asset was measured at June 30, 2021 for the 2022 asset and June 30, 2020 for the 2021 asset, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of July 1, 2021 and 2020. The Authority's proportion of the net OPEB asset was based on actual contributions made to the Plan during fiscal year 2021 and 2020 and are representative of future contributions. At June 30, 2021 and 2020 the Authority's proportion was 0.08690560% and 0.08380857%.

For the year ended June 30, 2022 and 2021, the Authority recognized OPEB expense (benefit) of $(16,058) and $(1,551) respectively. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE G – PENSION AND OPEB PLANS (CONTINUED)

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 72,750	$ -	$ 33,259
Changes of Assumption	10,622	-	13,865	-
Net difference between projected and actual investment earnings on pension plan investments	-	-	5,982	-
Authority contributions subsequent to the measurement date	15,705	-	15,414	-
	$ 26,327	$ 72,750	$ 35,261	$ 33,259

Deferred outflows of resources of $15,705 and $15,414 result from Authority contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB asset or liability for the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in other post-retirement benefit expense as follows:

	Deferred
2023	16,427
2024	15,328
2025	14,414
2026	13,438
2027	2,521
	$ 62,128

Actuarial Assumptions: The total OPEB liability as of June 30, 2022 and 2021, was determined based on an actuarial valuation prepared as of July 1, 2021 and 2020, using the following actuarial assumptions:

Assumed inflation rate – 2.50%

Salary increases – 3.50% to 9.25% per year including inflation

Investment rate of return – 6.5%, compounded annually net of investment expense and including inflation

No annual post-retirement benefit increases

Payroll growth – 3.25%

Actuarial cost method – Entry age

Select period for the termination of employment assumptions – 10 years

NOTE G – PENSION AND OPEB PLANS (CONTINUED)

Mortality rates for active participants and nondisabled pensioners were based on the Mortality Table projected to 2030 by Scale MP-2019. Male rates are set back one year, and female rates are set forward one year.

The actuarial assumptions used in both periods valuation are based on the results of the most recent actuarial experience study, which covered the three year period ending June 30, 2019. The experience study report is dated May 13, 2020.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the experience studies for both periods, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	34%	4.7%
U.S. Small Cap Equity	6%	5.8%
Int's Developed Equity	23%	6.5%
Emerging Market Equity	5%	8.5%
Core Fixed Income	25%	0.5%
Long Term Treasuries	3.5%	0.0%
US TIPS	3.5%	0.3%
Total	100%	

Discount Rate: The discount rate used to measure the total pension liability was 6.50% net of investment expenses for all periods presented. The projection of cash flows used to determine the discount rate assumed that contributions from system members and the employers will be made at the current contributions rate as set out in state statute. Based on those assumptions, the OPEB pension plan's fiduciary net position was projected to be available to make all projected benefit payments of current system members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate: The following presents the net OPEB asset of the system's employers calculated using the discount rate of 6.50%, as well as the employers' liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	July 1, 2022		
	(5.50%)	Rate (6.50%)	(7.50%)
Authority's proportionate share of the net OPEB (asset)	$ (89,842)	$ (119,480)	$ (144,883)

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued OEPRS financial report which can be located at www.opers.ok.gov.

NOTE H – OTHER RETIREMENT PLAN

The employees are eligible to participate in the 457(b) plan on the first day of the month following the date of hire. This is a deferred compensation plan administered by Cuna Mutual. Authority employees are able to contribute up to $19,500 of earned compensation per calendar year ending 2022 and 2021. Contributions are pre-tax. The Authority matches 100% of the contribution up to $50 per month ($23 per bi-weekly pay period). Matching contributions to the plan from the Authority were $14,137 and $9,564 for the years ended June 30, 2022 and 2021, respectively.

NOTE I – LANDFILL CLOSURE AND POST-CLOSURE COSTS

Landfill closure and post-closure costs and the related liabilities have been estimated and recorded in the financial statements according to standards established by the Governmental Accounting Standards Board. The estimated cost could change due to changes in technology, laws, and regulations that apply to the landfill closure and post-closure process, or inflation. The amount is also calculated in accordance with the Oklahoma Department of Environmental Quality and adjusted for the cumulative amount of capacity used to the total estimated capacity of the landfill.

The cumulative capacity used is approximately 84% of the total estimated capacity. The estimated remaining landfill life is 4.98 years. The Authority accrued $86,100 and $86,949 for closure and post-closure costs for the years ended June 30, 2022 and 2021, respectively. The Authority has estimated total costs of landfill closure and post closure of $2,946,365 and $2,829,037 as of June 30, 2022 and 2021. The Authority has recognized $2,508,200 and $2,422,100 as of June 30, 2022 and 2021, with the difference representing amounts not yet recognized. The Authority is accumulating assets to provide financial assurance to the Oklahoma Department of Environmental Quality for these closure and post-closure costs.

According to Title 252 of the Oklahoma Administrative Code ("OAC"), Chapter 510, Section 23-51(1)(B), financial reassurance can be provided by several options, including an escrow option. Under the escrow option, the estimated costs must be paid into an escrow account annually over the shorter of 15 years or the remaining life of the landfill. In accordance with OAC 252:515-27-8(b)2, an economic life of the site of one year was used to determine escrow payments for financial assurance.

The Authority has restricted cash of $0 and $0 and restricted investments of $2,917,229 and $2,816,667 at June 30, 2022 and 2021, respectively. Restricted cash and restricted investments represent the amount designated by the Authority for closure and post-closure costs.

	June 30, 2021	Additions	Disposals	June 30, 2022
Landfill closure and post-closure	$ 2,422,100	$ 86,100	$ -	$ 2,508,200

	June 30, 2020	Additions	Disposals	June 30, 2021
Landfill closure and post-closure	$ 2,335,151	$ 86,949	$ -	$ 2,422,100

NOTE J – CONTINGENCIES

The Authority purchases commercial insurance to protect fixed assets from risk of loss and to help protect the Authority from loss due to liability.

During the year a claim was filed in the normal course of business. The Authority is covered under the Oklahoma Government Tort Claims Act, Title 51 O.S. sections 151 et. Seq (the "Act"). Section 154 of the Act limits the Authority's liability for property damage to $25,000 and liability for any other loss is limited to $125,000. The Authority is also insured through the Association of County Commissioners of Oklahoma Self-Insured Group,

NOTE J – CONTINGENCIES (CONTINUED)

which is not an insurance company. Based on the insurance deductible, an amount of loss is estimated to be no more than $10,000. The amount has not been accrued in the financial statements as of June 30, 2022.

The Authority is subject to laws and regulations relating to the protection of the environment. The Authority's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty the potential financial impact of the Authority's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Authority.

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 27, 2022, the date which financial statements were available for issue.

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 Trustees and Management of
Oklahoma Environmental Management 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 Oklahoma Environmental Management Authority (the "Authority"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 27, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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.

Arledge & Associates P.C.

Arledge & Associates, P.C.

Edmond, Oklahoma
October 27, 2022

OKLAHOMA ENVIRONMENTAL MANAGEMENT AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF
NET PENSION LIABILITY (ASSET) (UNAUDITED)

	June 30					
	2022	2021	2020	2019	2018	2017
Authority's proportion of the net pension liablity (asset)	0.08690560%	0.08380857%	0.07965301%	0.07527456%	0.06725691%	0.06398861%
Authority's proportionate share of the net pension liability	$ (1,166,413)	$ 747,684	$ 106,088	$ 146,818	$ 363,633	$ 609,054
Authority's covered-employee payroll	$ 1,624,075	$ 1,469,831	$ 1,537,298	$ 1,403,564	$ 1,305,377	$ 1,209,889
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	-72%	51%	7%	10%	28%	50%
Plan fiduciary net position as a percentage of the total pension liability	113%	92%	99%	98%	94%	89%

SCHEDULE OF PENSION PLAN CONTRIBUTION
(UNAUDITED)

	June 30					
	2022	2021	2020	2019	2018	2017
Contractually required contributions	244,146	219,759	228,750	209,128	195,198	180,919
Contributions in realation to the contractually required contribution	(244,146)	(219,759)	(228,750)	(209,128)	(195,198)	(180,919)
	-	-	-	-	-	-
Direct covered-employee payroll	1,624,075	1,469,831	1,537,298	1,403,564	1,305,377	1,209,889
Contributions as a percentage of covered-employee payroll	15%	15%	15%	15%	15%	15%

SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY (ASSET) (UNAUDITED)

	June 30				
	2022	2021	2020	2019	2018
Authority's proportion of the net OPEB liability	0.08690560%	0.08380857%	0.07965301%	0.07527456%	0.06725691%
Authority's proportionate share of the net OPEB liability (asset)	$ (119,480)	$ (39,292)	$ (30,965)	$ (9,741)	$ 7,704
Authority's covered-employee payroll	$ 1,624,075	$ 1,469,831	$ 1,537,298	$ 1,403,564	$ 1,305,377
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	-7.36%	-2.67%	-2.01%	0.69%	0.59%
Plan fiduciary net position as a percentage of the total OPEB liability	143%	114.27%	112.11%	103.94%	96.50%

SCHEDULE OF OKLAHOMA PUBLIC EMPLOYEES' HEALTH INSURANCE SUBSIDY PLAN CONTRIBUTIONS (UNAUDITED)

	June 30				
	2022	2021	2020	2019	2018
Contractually required contributions	$ 15,705	$ 15,414	$ 17,218	$ 15,442	$ 13,662
Contributions in relation to the contractually required contribution	(15,705)	(15,414)	(17,218)	(15,442)	(13,662)
	$ -	$ -	$ -	$ -	$ -
Direct covered-employee payroll	$ 1,624,075	$ 1,469,831	$ 1,537,298	$ 1,403,564	$ 1,305,377
Contributions as a percentage of covered-employee payroll	0.97%	1.05%	1.12%	1.10%	1.05%