

OTERO COUNTY LANDFILL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022

OTERO COUNTY LANDFILL, INC.

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HANCOCK FROESE & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Otero County Landfill, Inc.
Rocky Ford, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Otero County Landfill, Inc, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Otero County Landfill, Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Otero County Landfill, Inc., as of December 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Otero County Landfill, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Otero County Landfill Inc.'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 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, 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 Otero County Landfill, Inc.'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 Otero County Landfill, Inc.'s ability to continue as a going concern for a reasonable period of time.

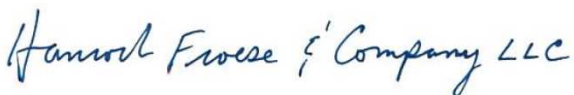
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Otero County Landfill, Inc.'s basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



HANCOCK FROESE & COMPANY LLC

February 28, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

OTERO COUNTY LANDFILL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Otero County Landfill, Inc. (OCLI) offers readers of OCLI's annual financial report this narrative overview and analysis of the financial activities of OCLI for the year ended December 31, 2022. Readers are encouraged to consider the information presented here in conjunction with the financial statement information.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of OCLI as prescribed by GASB Statement No. 34. OCLI is a single function entity for the purpose of providing landfill services for Otero County and its Cities and Towns. The government wide statements and the fund statements have been presented on the same statement with adjustments reflecting the difference in the two presentations because OCLI only maintains one fund (General Fund).

Government Wide Financial Statements:

The OCLI financial statements are designed to provide readers with a broad overview of OCLI's finances in a manner similar to private-sector business.

The Statement of Net Position presents information on all of OCLI's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of OCLI is improving or deteriorating.

The Statement of Activities presents information reporting how OCLI's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Fund Financial Statements:

A fund is a grouping of related accounts, used to maintain control over resources segregated for specific activities or objectives. OCLI uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

OCLI maintains a general fund (governmental fund), which is used to report the function of landfill activities.

Governmental funds: Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information provides a detail short-term view of OCLI's general government operations and may be useful in evaluating OCLI's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of OCLI's financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliation is provided for both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance.

Notes to the Basic Financial Statements:

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in OCLI's financial statements.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. Changes from December 31, 2021 thru December 31, 2022 are as follows:

Assets

Cash and Investments decreased by \$180,204 which is attributed to debt service payments. Receivables increased by \$39,314 due to the timing of receipts and services and normal operations. Inventory increased by \$7,871 which is attributed to the bales of tires on hand as of December 31, 2022. These changes resulted in a \$133,019 decrease in Current Assets.

Long Term Receivables increased by \$907,000 caused by a new closure cost and post-closure care and maintenance cost estimate performed by American Environmental Consulting, Inc. on Site 1 and the purchase of a new compactor.

Capital Assets increased by \$1,165,081 because of the additional capital construction completed on Otero Site #2, the purchase of a new compactor and constructing a new admin building at the landfill. Accumulated Depreciation increased by \$33,403 from recognizing depreciation expense of \$218,162 which was offset by the disposal of the existing compactor that was traded in.

The changes listed above resulted in a \$1,905,659 increase in Total Assets.

Liabilities

Accounts Payable increased by \$32,749 due to the increase in services provided at the end of the fiscal year that were not paid until the next fiscal year. Accrued interest payable was recognized due to financing the purchase of a new compactor. Accrued interest payable increased \$4,536 due to the loan entered into in 2022. Unearned Revenue increased by \$212 for the recognition of overpayments made by customers in the current year.

Long Term Obligations increased by \$1,236,341 due to a new closure cost and post-closure care and maintenance cost estimate performed by American Environmental Consulting, Inc. and financing the purchase of a new compactor.

All the above changes resulted in a \$1,273,838 increase in Total Liabilities and a \$1,905,659 increase in Total Liabilities and Net Position. See chart below:

Statement of Net Position

	FY 2022	FY 2021
Current Assets		
Cash	\$ 302,886	\$ 491,421
Investments	499,614	491,283
Receivables	170,125	130,811
Inventory	7,871	-
Total Current Assets	980,496	1,113,515
Long Term Assets		
Long Term Receivable	2,621,000	1,714,000
Capital Assets	5,874,604	4,709,523
Acc. Depreciation	(3,054,063)	(3,020,660)
Net Long-Term Assets	5,441,541	3,402,863
Total Assets	\$ 6,422,037	\$ 4,516,378
Current Liabilities		
Accounts Payable	\$ 67,917	\$ 35,168
Accrued Interest Payable	4,536	-
Unearned Revenue	15,336	15,124
Total Current Liabilities	87,789	50,292
Long Term Liabilities		
Long Term Obligations - Due in 1 year	440,406	187,900
Long Term Obligations – Due after 1 year	2,674,935	1,691,100
Total Long-Term Liabilities	3,115,341	1,879,000
Total Liabilities	3,203,130	1,929,292
Net Position		
Net Investment in Capital Assets	2,491,200	1,688,863
Unrestricted	727,707	898,223
Total Net Position	3,218,907	2,587,086
Total Liabilities and Net Position	\$ 6,422,037	\$ 4,516,378

Statement of Activities

The perspective of the statement of activities is of the entity as a whole. Changes from December 31, 2021 thru December 31, 2022 are as follows:

Total expenses increased by \$817,089 increased operation costs in 2022. Charges for Services increased by \$1,120,548 due to OCLI recognizing the changes in the member entities receivable for the unfunded closure and post closure costs. These changes resulted in a Net Program Revenue increase of \$303,459. General Revenues increased by \$5,138, due to an increase in scrap metal sales. These changes resulted in a \$308,597 increase in the Net Position. See chart below:

Statement of Activities

	FY 2022	FY 2021
Expenses		
Landfill Operations & Other Expenses	\$1,313,247	\$517,896
Interest	21,738	-
Total Expenses	1,334,985	517,896
Program Revenue		
Charges for Services	1,950,733	830,185
Net Program Revenues (Expenses)	615,748	312,289
General Revenues		
Interest, Grants & Other Earnings	16,073	10,935
Increase (Decrease) in Net Position	631,821	323,224
Beginning Net Position	2,587,086	2,263,862
Ending Net Position	\$3,218,907	\$2,587,086

FUND FINANCIAL STATEMENT ANALYSIS:**GENERAL FUND**

The General Fund is the only operating fund of OCLI, providing resources for operations of the landfill. Changes from December 31, 2021 thru December 31, 2022 are as follows:

Assets

Cash in Bank decreased by \$188,535 due to the payments made for debt service and Investments increased by \$8,331 due to current year interest revenue. Receivables increased by \$39,314 as part of normal activities and timing of receipts. These changes resulted in the Total Assets decreasing by \$140,890.

Liabilities

Accounts Payable increased by \$32,749 due to the increase in services provided at the end of the fiscal year and timing of payments. Unearned Revenue increased by \$212 due to the recognition of prepayments made in 2022.

Fund Balance

The Committed Fund Balance for post closure costs was the same as last year. The Unassigned Fund Balance decreased by \$173,851 as a result of the above changes. The combined effect was the Total Fund Balance decreased by \$173,851 and Total Liabilities and Fund Balance total decreased by \$140,890. See table below:

General Fund Balance Sheet

	FY 2022	FY 2021
Assets		
Cash in Bank	\$ 302,886	\$ 491,421
Investments	499,614	491,283
Receivables	170,125	130,811
	\$972,625	\$1,113,515
Liabilities		
Accounts Payable	\$ 67,917	\$ 35,168
Unearned Revenue	15,336	15,124
Total Liabilities	83,253	50,292
Fund Balance		
Committed for Post Closure Costs	165,000	165,000
Unassigned	724,372	898,223
Total Fund Balance	889,372	1,063,223
Total Liabilities and Fund Balance	\$972,625	\$1,113,515

Revenue & Expenditure Statement Analysis

Changes from December 31, 2021 thru December 31, 2022:

Intergovernmental revenue decreased by \$17,452 due to normal operations. Other Revenue increased by \$5,138 due to the increase in interest income and scrap sales. These changes resulted in Total Revenue decreasing by \$12,314.

Landfill Operations Expenditures increased by \$22,276 due to normal operations. Capital Outlay increased by \$643,703, due to the purchase of equipment construction of modules at Site 2. Debt Service increased by \$173,476 due to the debt payment made for a new compactor. The net effect was Total Expenditures increased by \$839,455. See chart below:

Revenue & Expenditure Statement Analysis

	FY 2022	FY 2021
Revenues		
Charges for Services	\$1,043,733	\$1,061,185
Other Revenue	16,073	10,935
Total Revenue	1,059,806	1,072,120
Expenditures		
Landfill Operations	597,000	574,724
Capital Outlay	948,796	305,093
Debt Service	173,476	-
Total Expenditures	1,719,272	879,817
Revenues over (under) Expenditures	(659,466)	192,303
Other Financing Sources: Loan Proceeds	485,615	-
Revenues over (under) Expenditures And Other Financing Sources	(173,851)	192,303
Fund Balance January 1	1,063,223	870,920
Fund Balance December 31	889,372	1,063,223

FINANCIAL MAJOR BUDGETED HIGHLIGHTS

The 2022 Final Revenue Budget was \$942,654 compared to Actual Revenues of \$1,059,806. The Total Actual Revenue was \$117,152 more than budgeted. The 2022 Final Expenditures Budget was \$1,165,889 compared to Actual Expenditures of \$1,719,272 which included \$948,796 in expenditures for the construction at Otero Site #2 (module #4) and capital asset additions, \$554,101 in operations, \$17,964 for general administration, \$24,935 for closure and \$173,476 for debt service. Total Actual Expenditures were \$553,383 more than budgeted. The net effect is Fund Balance was \$49,384 under the budgeted loss of \$223,235.

General Fund Revenue, Expenditure and Changes in Fund Balance Budget and Actual Comparisons

	Final Budget	Actual	Positive (Negative)
Total Revenue	\$ 942,654	\$1,059,806	\$ 117,152
Expenditures			
Capital Outlay	768,619	948,796	(180,177)
Closure	13,600	24,935	(11,335)
Operations	367,270	554,101	(186,831)
General Administrative	16,400	17,964	(1,564)
Debt Service	-	173,476	(173,476)
Total Expenditures	1,165,889	1,719,272	(553,383)
Revenue over (under) expenditures	(223,235)	(659,466)	(436,231)
Other Financing Sources	-	485,615	485,615
Revenues over (under) expenditures and other financing sources	(223,235)	(173,851)	49,384
Fund Balance January 1	1,063,223	1,063,223	-
Fund Balance December 31	\$ 839,988	\$ 889,372	\$ 49,384

CAPITAL ASSET

OCLI currently operates the Otero Site #2 landfill (Otero Site #1 and the Manzanola Landfill are in the closure phase). Capital Assets include development costs for Otero Site #2 (capital construction completed on Otero Site #2, module #4). The Capital Assets less depreciation was \$2,820,541 as of December 31, 2022.

LONG-TERM LIABILITIES

Long Term Liabilities include the estimated landfills closure and post closure costs as well as a note payable for the purchase of a new compactor.

FACTORS AFFECTING FUTURE FINANCIAL CONDITIONS

Factors, which have the potential to significantly impact OCLI's fiscal year 2023 is performing post-closure activities. Other factors include, unexpected construction costs due to ground conditions encountered during the excavation at Otero Site #2, module 4, the increase in minimum wage, increased fuel costs, and other factors that affect the continual construction and operation of Otero Site #2.

OCLI is also required to close each landfill shortly after it no longer accepts waste and then must monitor the ground water and the landfill for 30 years after the Landfill has been approved as closed.

REQUESTS FOR INFORMATION

This financial report is designed to provide the Otero County's citizens, taxpayers; and OCLI's customers, investors and creditors with a general overview of OCLI's finances and to demonstrate OCLI's accountability for the money it receives. Questions about this report and requests for additional financial information can be obtained by contacting the Otero County Landfill Inc. at 411 N. 10th Street, Rocky Ford, CO 81067.

BASIC FINANCIAL STATEMENTS

OTERO COUNTY LANDFILL, INC.

GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION

DECEMBER 31, 2022

	GENERAL FUND	ADJUSTMENTS PAGE 9	STATEMENT OF NET POSITION
ASSETS			
CASH IN BANK	\$ 302,886	\$ -	\$ 302,886
INVESTMENTS	499,614	-	499,614
ACCOUNTS RECEIVABLE	170,125	-	170,125
INVENTORY	-	7,871	7,871
LONG-TERM RECEIVABLE:			
DUE FROM ENTITIES	-	2,621,000	2,621,000
PROPERTY AND EQUIPMENT-NET	-	2,820,541	2,820,541
TOTAL ASSETS	\$ 972,625	\$ 5,449,412	\$ 6,422,037
LIABILITIES			
ACCOUNTS PAYABLE	\$ 67,917	\$ -	\$ 67,917
ACCRUED INTEREST PAYABLE	-	4,536	4,536
UNEARNED REVENUE	15,336	-	15,336
LONG-TERM LIABILITIES:			
DUE IN ONE YEAR	-	440,406	440,406
DUE AFTER ONE YEAR	-	2,674,935	2,674,935
TOTAL LIABILITIES	83,253	3,119,877	3,203,130
FUND BALANCES / NET POSITION			
FUND BALANCE:			
COMMITTED FOR CLOSURE AND POST CLOSURE COSTS	165,000	(165,000)	-
UNASSIGNED	724,372	(724,372)	-
TOTAL FUND BALANCES	889,372	(889,372)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 972,625		
NET POSITION:			
NET INVESTMENT IN CAPITAL ASSETS UNRESTRICTED		2,491,200 727,707	2,491,200 727,707
TOTAL NET POSITION		3,218,907	3,218,907
TOTAL LIABILITIES AND NET POSITION		\$ 5,449,412	\$ 6,422,037

SEE NOTES TO FINANCIAL STATEMENTS

OTERO COUNTY LANDFILL, INC.

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2022

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$ 889,372
Assets not available for current period expenditures and therefore are not reported in funds	7,871
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.	
The cost of capital assets is	\$ 5,874,604
Accumulated depreciation is	<u>(3,054,063)</u>
	2,820,541
Long-term receivable due from entities involved for their share of the closure and post closure costs of the landfill	2,621,000
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Accrued interest payable	(4,536)
Equipment loan	(329,341)
Closure and post closure costs of landfill	<u>(2,786,000)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,218,907</u>

OTERO COUNTY LANDFILL, INC.

GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
AND STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	GENERAL FUND	ADJUSTMENTS PAGE 11	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES			
LANDFILL OPERATIONS	\$ 597,000	\$ 716,247	\$ 1,313,247
CAPITAL OUTLAY	948,796	(948,796)	-
DEBT SERVICE			
PRINCIPAL	156,274	(156,274)	-
INTEREST	17,202	4,536	21,738
TOTAL EXPENDITURES/EXPENSES	1,719,272	(384,287)	1,334,985
PROGRAM REVENUES:			
CHARGES FOR SERVICES	1,043,733	907,000	1,950,733
NET REVENUES	(675,539)	1,291,287	615,748
GENERAL REVENUES:			
INVESTMENT EARNINGS AND OTHER	16,073	-	16,073
REVENUES OVER (UNDER) EXPENDITURES	(659,466)	659,466	-
OTHER FINANCING SOURCES			
LOAN PROCEEDS	485,615	(485,615)	-
NET CHANGE IN FUND BALANCE	(173,851)	173,851	-
CHANGE IN NET POSITION	-	631,821	631,821
FUND BALANCE / NET POSITION JANUARY 1,	1,063,223	1,523,863	2,587,086
FUND BALANCE / NET POSITION DECEMBER 31,	\$ 889,372	\$ 2,329,535	\$ 3,218,907

SEE NOTES TO FINANCIAL STATEMENTS

OTERO COUNTY LANDFILL, INC.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance		\$ (173,851)
<p>Inventories are expensed at acquisition in the governmental funds and reported as expenses when used in the government-wide statements</p>		
		7,871
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital outlay and capitalized costs	\$ 1,349,840	
Depreciation expense	<u>(218,162)</u>	
		1,131,678
<p>Revenue and expenses reported in the statement of activities do not require the use of or provide current financial resources and therefore, are not reported as revenue or expenditures in the governmental funds.</p>		
Accrued interest expense on loans		(4,536)
Loan proceeds		(485,615)
Payment on note payable		156,274
Estimated current amount due from entities to provide for the estimated current change in the closure and post closure costs of the landfill		(907,000)
Estimated current year closure and post closure costs of the landfill		<u>907,000</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 631,821</u>

NOTES TO FINANCIAL STATEMENTS

OTERO COUNTY LANDFILL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE -1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Otero County Landfill, Inc. ("OCLI") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. A summary of significant policies is as follows:

THE FINANCIAL REPORTING ENTITY

Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*", amended by GASB Statement No. 39, describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organization for which the primary government is financially accountable and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

Otero County Landfill, Inc. is a Colorado not for profit organization formed as a joint venture by an intergovernmental agreement between Otero County, City of La Junta, City of Rocky Ford, Town of Cheraw, Town of Swink, Town of Manzanola and Town of Fowler to provide a landfill operation for the participating entities. Because OCLI was formed by governmental entities the State of Colorado considers the entity a governmental unit for reporting purposes. OCLI's board is comprised of one official from each of the participating members.

Otero County Landfill, Inc. is not included in any other governmental "reporting entity" as defined by GASB No. 14 and amended by GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*". As required by accounting principles generally accepted in the United States of America, these financial statements present Otero County Landfill, Inc. (the primary government) and its component units when applicable. Currently no component units have been included in OCLI's reporting entity because of a lack of significant operational or financial relationships with Otero County Landfill, Inc. The majority of revenues are derived from the participating entities.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

OTERO COUNTY LANDFILL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE -1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest revenues and charges for services are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

Grant and entitlement awards are recorded as revenue when earned. Grants or entitlements received in excess of expenditures, or received when grant requirements have not been met, are recorded as unearned revenue. Expenditures are recorded on an accrual basis.

The government reports the following major governmental funds:

General Fund - Is the government's primary operating fund. It accounts for all financial resources except those which are required to be accounted for in another fund.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments.

Inventory

Inventory is stated at cost, using the first-in, first-out method. As of December 31, 2022, the inventory balance was \$7,871.

Capital Assets

Capital assets, which include property, improvements and current infrastructure (e.g., new landfill), are reported in the applicable governmental activities' columns in the government-wide financial statements. Infrastructure assets have been capitalized on a prospective basis, from 2001 for the new landfill. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Improvements	3-30
Public domain infrastructure	5-50

Unearned Revenue

Governmental funds defer revenue recognition in connection with resources that have been received but not yet earned.

Long-Term Obligation

In the government-wide financial statements, long-term obligations, including note payables, are reported as liabilities in the applicable governmental activities.

OTERO COUNTY LANDFILL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE -1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications and by clarifying the definitions of existing governmental fund types. As a result, fund balances are reported in classifications based on the extent to which OCLI is bound to honor constraints for the specific purposes on which amounts in the fund can be spent.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint. Committed fund balance is for the closure and post closure liability;

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established through the adoption or amendment of the budget as intended for specific purposes.

When both restricted and unrestricted resources are available in governmental funds, OCLI applies expenditures against restricted fund balance first, followed by committed fund balance, assigned fund balance and unassigned fund balance.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets Information

The Otero County Landfill, Inc. follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to December 31, the Board of Directors receive a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

OTERO COUNTY LANDFILL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE -1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets Information (Continued)

Revisions that alter the total expenditures of any fund generally must be approved by the Board of Directors. Budgeted amounts may include revisions to the original appropriation resolution.

Budgets for the Governmental fund types are adopted on a basis consistent with generally accepted accounting principles. Expenditures may not legally exceed appropriations at the fund level.

Appropriations lapse at year end and any open purchase items must be reappropriated in the following year.

Expenditures may not legally exceed appropriations at the fund level. For the year ended December 31, 2022, expenditures exceeded appropriations in the General Fund.

NOTE -2 DEPOSITS AND INVESTMENTS

The Otero County Landfill, Inc.'s investment policies are approved by the Board and are governed by Colorado Statute. The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, OCLI's deposits may not be returned to it. OCLI does not have a deposit policy for custodial credit risk. As of December 31, 2022, \$0 of OCLI's bank balance totaling \$283,327 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

Investments

At December 31, 2022, OCLI had the following investments:

	<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
COLO Trust	External Investment Pool	Under 60 Day Avg.	\$ 499,614

Credit Risk – State law limits investments for local governments to U.S. treasury issues, other federally backed notes and credits, and other agency offerings (not based on derivatives) without limitation. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institution have assets in excess of \$1 billion or the highest credit rating from one or more of a nationally recognized rating agency. The investment in COLOTrust were rated AAA by Standard & Poor's.

Interest Rate Risk – OCLI does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value loss resulting from increasing interest rates. The Colorado revised statute 24-75-601 limits investment maturities to five years or less without governing board approval.

OCLI categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and; Level 3 inputs are significant unobservable inputs.

OCLI has no recurring fair value measurements as of December 31, 2022.

- COLOTRUST – Investments in this external investment pool are reported at \$1 net asset value per share and are not subject to fair value measurement. The investment is reported at cost.

OTERO COUNTY LANDFILL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE -3 LONG-TERM RECEIVABLE DUE FROM ENTITIES

This represents the estimated amount due from the various entities that are involved with the landfill for their share of the accrued closure and post closure costs. Assessments will be made to these entities for the costs that are incurred.

NOTE -4 CAPITAL ASSETS

Capital asset activity for the year end December 31, 2022:

Primary Government

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 136,500	\$ -	\$ -	\$ 136,500
Construction in progress	571,378	676,079	-	1,247,457
Capital assets, being depreciated:				
Land improvements, equipment	4,001,646	810,321	(321,320)	4,490,647
Less accumulated depreciation for land improvements	<u>(3,020,661)</u>	<u>(218,162)</u>	<u>184,760</u>	<u>(3,054,063)</u>
TOTAL	<u>\$ 1,688,863</u>	<u>\$ 1,268,238</u>	<u>\$ (136,560)</u>	<u>\$ 2,820,541</u>

Depreciation expense was charged to functions of the primary government as follows:

Landfill operations	<u>\$ 218,162</u>
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NOTE -5 LONG-TERM OBLIGATIONS

The following is a summary of activity for long term obligations for the year ended December 31, 2022:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities:				
Note Payable - Equipment	\$ -	\$ 485,615	\$ (156,274)	\$ 329,341
Estimated Closure and Post Closure Costs	<u>1,879,000</u>	<u>907,000</u>	<u>-</u>	<u>2,786,000</u>
TOTAL	<u>\$ 1,879,000</u>	<u>\$ 1,392,615</u>	<u>\$ (156,274)</u>	<u>\$ 3,115,341</u>

ESTIMATED DUE
IN ONE YEAR

Note Payable - Equipment	\$ 161,806
Closure and Post Closure Costs	<u>278,600</u>
	<u>\$ 440,406</u>

Note Payable - Equipment

Otero Count Landfill, Inc. entered into an agreement with the First National Bank of Las Animas on July 18, 2022, in the amount of \$485,615 to provide funding to purchase a compactor. The loan is payable in 3 annual installments of principal and interest at a rate of 3.54%. The payments begin on July 18, 2023. The loan is collateralized by the compactor.

OTERO COUNTY LANDFILL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE -5 LONG-TERM OBLIGATIONS(Continued)

Note Payable – Equipment (Continued)

Annual requirements to amortize the loan as of December 31, 2022 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 161,806	\$ 11,659	\$ 173,465
2024	<u>167,535</u>	<u>5,930</u>	<u>173,465</u>
Total	<u>\$ 329,341</u>	<u>\$ 17,589</u>	<u>\$ 346,930</u>

Closure and Post Closure Costs

State and federal laws and regulations require Otero County Landfill, Inc. to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, OCLI reports a portion of these closure and post closure care costs as a liability in the general long-term obligation account group for each period based on landfill capacity used as of each balance sheet date.

OCLI maintains three landfill sites. The following is a summary of the closure and post closure care liability as of December 31, 2022:

	<u>MANZANOLA</u>	<u>OTERO #1</u>	<u>OTERO #2</u>			<u>TOTAL</u>
			<u>MODULE #1</u>	<u>MODULE #2</u>	<u>MODULE #3</u>	
Estimated closure costs	\$ 165,000	\$ 596,000	\$ 366,000	\$ 232,000	\$ 185,000	\$ 1,544,000
Estimated post closure costs	<u>128,000</u>	<u>614,000</u>	<u>232,000</u>	<u>147,000</u>	<u>117,000</u>	<u>1,238,000</u>
	293,000	1,210,000	598,000	379,000	302,000	2,782,000
Costs recognized to date	293,000	1,210,000	598,000	379,000	302,000	2,782,000
Percent of capacity	100%	100%	86%	85%	36%	
Estimated Tire Disposal Costs						<u>4,000</u>
Total						<u>\$ 2,786,000</u>

Estimated closure Date	2023	Closed	2024	2024	2027
Estimated final monitoring date	-	2049	-	-	-

These amounts are based on estimates of what it would cost to perform all closure and post closure care as of December 31, 2022. Actual costs may be higher due to inflation or deflation, changes in technology, or changes in applicable laws or regulations.

The participating entities are required by state and federal laws and regulations to make certain financial assurances. It is the opinion of management that they have complied with these requirements.

Fowler landfill site - based on the analytical data from a sample taken, groundwater quality data collected during the operating life of the facility, and a site inspection conducted by the Hazardous Materials and Waste Management Division (the "Division") representatives on October 25, 2011, the Division approved, as final agency action, OCLI's request to be released from post closure obligations as defined in the Solid Waste Regulations (6 CCR1007-2) and the facilities post closure plan associated with the Fowler Landfill.

OTERO COUNTY LANDFILL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE -6 TAX AND SPENDING LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. OCLI believes it is exempt from the requirements of the amendment.

NOTE -7 RISK MANAGEMENT

The Otero County Landfill, Inc. is exposed to various risks of loss related to property and casualty losses as well as those related to injuries of employees while on the job. OCLI through its agreement with Otero County has obtained coverage through the Colorado Counties Casualty and Property Pool (CAPP), and the County Workers' Compensation Pool (CWCP), public entity risk pools currently operating as a common risk management and insurance program for member counties.

The County pays an annual contribution to CAPP and CWCP for its property and casualty insurance coverage and workers' compensation insurance coverage. The intergovernmental agreement of formation of CAPP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year. The County's claims have not exceeded its coverage in any of the last three years.

NOTE -8 RELATED PARTY TRANSACTIONS

OCLI entered into an agreement whereby Otero County would provide personnel, supplies and equipment as well as some administrative functions for their contribution to the entity. For the year ended December 31, 2022 OCLI also purchased services from Otero County in the amount of \$430,669, of which \$29,979 is recorded in accounts payable for purchased services.

OCLI entered into intergovernmental agreements and received revenues from the following entities that have a representative serving on the Board of Directors: City of La Junta, City of Rocky Ford, Town of Cheraw, Town of Swink, Town of Manzanola and Town of Fowler. The total revenues received for the combined entities for the year ended December 31, 2022 was \$738,937 with \$63,747 reported in accounts receivable.

NOTE -9 INCOME TAXES

OCLI is exempt from federal income tax under Section 501(c)3 of the Internal Revenue Code. However, income from certain activities not directly related to OCLI's tax-exempt purpose is subject to taxation as unrelated business income.

OCLI adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. OCLI has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. OCLI believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on OCLI's financial condition, results of operations or cash flows. Accordingly, OCLI has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2022.

OCLI is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE -10 SUBSEQUENT EVENTS

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

REQUIRED SUPPLEMENTARY INFORMATION

OTERO COUNTY LANDFILL, INC.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
INTERGOVERNMENTAL - PARTICIPANTS	\$ 934,485	\$ 934,485	\$ 1,043,733	\$ 109,248
MISCELLANEOUS	8,169	8,169	16,073	7,904
TOTAL REVENUES	942,654	942,654	1,059,806	117,152
EXPENDITURES				
OPERATIONS	367,270	367,270	554,101	(186,831)
GENERAL ADMINISTRATIVE	16,400	16,400	17,964	(1,564)
CLOSURE	13,600	13,600	24,935	(11,335)
CAPITAL OUTLAY	768,619	768,619	948,796	(180,177)
DEBT SERVICE	-	-	173,476	(173,476)
TOTAL EXPENDITURES	1,165,889	1,165,889	1,719,272	(553,383)
REVENUES OVER (UNDER) EXPENDITURES	(223,235)	(223,235)	(659,466)	(436,231)
OTHER FINANCING SOURCES				
LOAN PROCEEDS	-	-	485,615	485,615
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	(223,235)	(223,235)	(173,851)	49,384
FUND BALANCE JANUARY 1	1,063,223	1,063,223	1,063,223	-
FUND BALANCE DECEMBER 31	\$ 839,988	\$ 839,988	\$ 889,372	\$ 49,384

SUPPLEMENTARY INFORMATION

OTERO COUNTY LANDFILL, INC.

GENERAL FUND
BALANCE SHEET

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 302,886	\$ 491,421
INVESTMENTS	499,614	491,283
ACCOUNTS RECEIVABLE	<u>170,125</u>	<u>130,811</u>
 TOTAL ASSETS	 <u><u>\$ 972,625</u></u>	 <u><u>\$ 1,113,515</u></u>
 LIABILITIES		
ACCOUNTS PAYABLE	\$ 67,917	\$ 35,168
UNEARNED REVENUE	<u>15,336</u>	<u>15,124</u>
 TOTAL LIABILITIES	 <u>83,253</u>	 <u>50,292</u>
 FUND BALANCE		
COMMITTED FOR CLOSURE AND POST CLOSURE COSTS	165,000	165,000
UNASSIGNED	<u>724,372</u>	<u>898,223</u>
 TOTAL FUND BALANCE	 <u>889,372</u>	 <u>1,063,223</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 972,625</u></u>	 <u><u>\$ 1,113,515</u></u>

OTERO COUNTY LANDFILL, INC.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
INTERGOVERNMENTAL - PARTICIPANTS	\$ 1,043,733	\$ 1,061,185
INVESTMENT EARNINGS AND OTHER	16,073	10,935
	<u>1,059,806</u>	<u>1,072,120</u>
EXPENDITURES		
SALARY AND BENEFITS	401,044	406,947
MONITORING	11,357	8,016
STATE USE FEE	25,154	24,910
TIRE PROCESSING/DISPOSAL	4,310	21,383
PROFESSIONAL SERVICES	17,964	18,155
UTILITIES	6,527	4,429
CAPITAL OUTLAY	948,796	305,093
CLOSURE COSTS	24,935	52,807
REPAIRS AND MAINTENANCE	90,799	23,757
DEBT SERVICE	173,476	-
OTHER	14,910	14,320
	<u>1,719,272</u>	<u>879,817</u>
REVENUES OVER (UNDER) EXPENDITURES	(659,466)	192,303
OTHER FINANCING SOURCES		
LOAN PROCEEDS	485,615	-
	<u>485,615</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	(173,851)	192,303
FUND BALANCE JANUARY 1	<u>1,063,223</u>	<u>870,920</u>
FUND BALANCE DECEMBER 31	<u>\$ 889,372</u>	<u>\$ 1,063,223</u>