

OTERO COUNTY LANDFILL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023

OTERO COUNTY LANDFILL, INC.

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 7
BASIC FINANCIAL STATEMENTS	
GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION	8
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION	9
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES	10
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES	11
NOTES TO FINANCIAL STATEMENTS	12 - 18
REQUIRED SUPPLEMENTARY INFORMATION	19
SUPPLEMENTARY INFORMATION	20 - 21

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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, 2023, 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, 2023, 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 9, 2024

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, 2023. 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, 2022 thru December 31, 2023 are as follows:

Assets

Cash and Investments increased by \$303,110 which is attributed to current year operations. Receivables decreased by \$102,475 due to the timing of receipts and services and normal operations. Inventory remained unchanged at \$7,871 at December 31, 2023. These changes resulted in a \$200,635 increase in Current Assets.

Long Term Receivables decreased by \$859,000 due to the State releasing the closure liability at Site 1.

Capital Assets increased by \$390,616 due to the purchase of a new excavator. Accumulated Depreciation increased by \$250,555 which was the current year depreciation expense.

The changes listed above resulted in a \$518,304 decrease in Total Assets.

Liabilities

Accounts Payable decreased by \$22,503 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 excavator. Unearned Revenue increased by \$8,388 for the recognition of overpayments made by customers in the current year.

Long Term Obligations decreased by \$797,725 due to the State releasing the closure liability at Site 1.

All the above changes resulted in a \$801,466 decrease in Total Liabilities and a \$283,162 increase in Total Net Position. See chart below:

Statement of Net Position

	FY 2023	FY 2022
Current Assets		
Cash	\$ 528,347	\$ 302,886
Investments	577,263	499,614
Receivables	67,650	170,125
Inventory	7,871	7,871
Total Current Assets	1,181,131	980,496
Long Term Assets		
Long Term Receivable	1,762,000	2,621,000
Capital Assets	6,265,220	5,874,604
Acc. Depreciation	(3,304,618)	(3,054,063)
Net Long-Term Assets	4,722,602	5,441,541
Total Assets	\$ 5,903,733	\$ 6,422,037
Current Liabilities		
Accounts Payable	\$ 45,414	\$ 67,917
Accrued Interest Payable	14,910	4,536
Unearned Revenue	23,724	15,336
Total Current Liabilities	84,048	87,789
Long Term Liabilities		
Long Term Obligations - Due in 1 year	316,121	440,406
Long Term Obligations – Due after 1 year	2,001,495	2,674,935
Total Long-Term Liabilities	2,317,616	3,115,341
Total Liabilities	2,401,664	3,203,130
Net Position		
Net Investment in Capital Assets	2,569,986	2,491,200
Unrestricted	932,083	727,707
Total Net Position	3,502,069	3,218,907
Total Liabilities and Net Position	\$ 5,903,733	\$ 6,422,037

Statement of Activities

The perspective of the statement of activities is of the entity as a whole. Changes from December 31, 2022 thru December 31, 2023 are as follows:

Total expenses decreased by \$398,302 due to operation costs in 2023. Charges for Services decreased by \$778,520 due to OCLI recognizing the changes in the member entities receivable for the unfunded closure and post closure costs and a decrease in the per capita fee charged to the members of OCLI. These changes resulted in a Net Program Revenue decrease of \$380,218. General Revenues increased by \$31,559, due to an increase in interest income and scrap metal sales. These changes resulted in a \$283,162 increase in the Net Position. See chart below:

Statement of Activities

	FY 2023	FY 2022
Expenses		
Landfill Operations & Other Expenses	\$921,773	\$1,313,247
Interest	14,910	21,738
Total Expenses	936,683	1,334,985
Program Revenue		
Charges for Services	1,172,213	1,950,733
Net Program Revenues (Expenses)	235,530	615,748
General Revenues		
Interest, Grants & Other Earnings	47,632	16,073
Increase (Decrease) in Net Position	283,162	631,821
Beginning Net Position	3,218,907	2,587,086
Ending Net Position	<u>\$3,502,069</u>	<u>\$3,218,907</u>

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, 2022 thru December 31, 2023 are as follows:

Assets

Cash in Bank increased by \$225,461 and Investments increased by \$77,649 due to current year operations and interest revenue. Receivables decreased by \$102,475 as part of normal activities and timing of receipts. These changes resulted in the Total Assets increasing by \$200,635.

Liabilities

Accounts Payable decreased by \$22,503 due to the services provided at the end of the fiscal year and timing of payments. Unearned Revenue increased by \$8,388 due to the recognition of prepayments made in 2023.

Fund Balance

The Committed Fund Balance for post closure costs was the same as last year. The Unassigned Fund Balance increased by \$214,750 as a result of the above changes. The combined effect was the Total Fund Balance increased by \$214,750 and Total Liabilities and Fund Balance total increased by \$200,635. See table below:

General Fund Balance Sheet

	FY 2023	FY 2022
Assets		
Cash in Bank	\$ 528,347	\$ 302,886
Investments	577,263	499,614
Receivables	67,650	170,125
Total Assets	\$1,173,260	\$972,625
Liabilities		
Accounts Payable	\$ 45,414	\$ 67,917
Unearned Revenue	23,724	15,336
Total Liabilities	69,138	83,253
Fund Balance		
Committed for Post Closure Costs	165,000	165,000
Unassigned	939,122	724,372
Total Fund Balance	1,104,122	889,372
Total Liabilities and Fund Balance	\$1,173,260	\$972,625

Revenue & Expenditure Statement Analysis

Changes from December 31, 2022 thru December 31, 2023:

Intergovernmental revenue increased by \$128,480 due to normal operations. Other Revenue increased by \$31,559 due to the increase in interest income and scrap sales. These changes resulted in Total Revenue decreasing by \$160,039.

Landfill Operations Expenditures decreased by \$74,449 due to normal operations. Capital Outlay decreased by \$397,144, due to the purchase of equipment. Debt Service increased by \$148,032 due to paying off a compactor financed in 2022. The net effect was Total Expenditures decreased by \$323,561. See chart below:

Revenue & Expenditure Statement Analysis

	FY 2023	FY 2022
Revenues		
Charges for Services	\$1,172,213	\$1,043,733
Other Revenue	47,632	16,073
Total Revenue	1,219,845	1,059,806
Expenditures		
Landfill Operations	522,551	597,000
Capital Outlay	551,652	948,796
Debt Service	321,508	173,476
Total Expenditures	1,395,711	1,719,272
Revenues over (under) Expenditures	(175,866)	(659,466)
Other Financing Sources: Loan Proceeds	390,616	485,615
Revenues over (under) Expenditures And Other Financing Sources	214,750	(173,851)
Fund Balance January 1	889,372	1,063,223
Fund Balance December 31	1,104,122	889,372

FINANCIAL MAJOR BUDGETED HIGHLIGHTS

The 2023 Final Revenue Budget was \$1,109,506 compared to Actual Revenues of \$1,219,845. The Total Actual Revenue was \$110,339 more than budgeted. The 2023 Final Expenditures Budget was \$1,108,480 compared to Actual Expenditures of \$1,395,711 which included \$551,652 in capital outlay, \$472,504 in operations, \$17,604 for general administration, \$32,443 for closure and \$321,508 for debt service. Total Actual Expenditures were \$287,231 more than budgeted.

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

	Final Budget	Actual	Positive (Negative)
Total Revenue	\$1,109,506	\$1,219,845	\$ 110,339
Expenditures			
Capital Outlay	650,204	551,652	98,552
Closure	19,100	32,443	(13,343)
Operations	418,776	472,504	(53,728)
General Administrative	20,400	17,604	2,796
Debt Service	-	321,508	(321,508)
Total Expenditures	1,108,480	1,395,711	(287,231)
Revenue over (under) expenditures	1,026	(175,866)	(176,892)
Other Financing Sources	-	390,616	390,616
Revenues over (under) expenditures and other financing sources	1,026	214,750	213,724
Fund Balance January 1	889,372	889,372	-
Fund Balance December 31	\$ 890,398	\$1,104,122	\$213,724

CAPITAL ASSET

OCLI currently operates the Otero Site #2 landfill. Capital Assets include development costs for Otero Site #2 (capital construction completed on Otero Site #2, module #4). The Capital Assets less depreciation was \$2,960,602 as of December 31, 2023.

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 excavator.

FACTORS AFFECTING FUTURE FINANCIAL CONDITIONS

Factors, which have the potential to significantly impact OCLI's fiscal year 2024 are unexpected construction costs due to ground conditions encountered during the excavation at Otero Site #2, module 4, 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 21250 County Road 21, La Junta, CO 81050.

BASIC FINANCIAL STATEMENTS

OTERO COUNTY LANDFILL, INC.

GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION

DECEMBER 31, 2023

	GENERAL FUND	ADJUSTMENTS PAGE 9	STATEMENT OF NET POSITION
ASSETS			
CASH IN BANK	\$ 528,347	\$ -	\$ 528,347
INVESTMENTS	577,263	-	577,263
ACCOUNTS RECEIVABLE	67,650	-	67,650
INVENTORY	-	7,871	7,871
LONG-TERM RECEIVABLE:			
DUE FROM ENTITIES	-	1,762,000	1,762,000
PROPERTY AND EQUIPMENT-NET	-	2,960,602	2,960,602
 TOTAL ASSETS	 \$ 1,173,260	 \$ 4,730,473	 \$ 5,903,733
 LIABILITIES			
ACCOUNTS PAYABLE	\$ 45,414	\$ -	\$ 45,414
ACCRUED INTEREST PAYABLE	-	14,910	14,910
UNEARNED REVENUE	23,724	-	23,724
LONG-TERM LIABILITIES:			
DUE IN ONE YEAR	-	316,121	316,121
DUE AFTER ONE YEAR	-	2,001,495	2,001,495
 TOTAL LIABILITIES	 69,138	 2,332,526	 2,401,664
 FUND BALANCES / NET POSITION			
FUND BALANCE:			
COMMITTED FOR CLOSURE AND POST CLOSURE COSTS	165,000	(165,000)	-
UNASSIGNED	939,122	(939,122)	-
 TOTAL FUND BALANCES	 1,104,122	 (1,104,122)	 -
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 1,173,260		
 NET POSITION:			
NET INVESTMENT IN CAPITAL ASSETS UNRESTRICTED		2,569,986 932,083	2,569,986 932,083
 TOTAL NET POSITION		 3,502,069	 3,502,069
 TOTAL LIABILITIES AND NET POSITION		 \$ 4,730,473	 \$ 5,903,733

SEE NOTES TO FINANCIAL STATEMENTS

OTERO COUNTY LANDFILL, INC.

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

DECEMBER 31, 2023

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

Total fund balances - governmental funds		\$ 1,104,122
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	\$ 6,265,220	
Accumulated depreciation is	<u>(3,304,618)</u>	2,960,602
Long-term receivable due from entities involved for their share of the closure and post closure costs of the landfill		1,762,000
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable		(14,910)
Equipment loan		(390,616)
Closure and post closure costs of landfill		<u>(1,927,000)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 3,502,069</u></u>

OTERO COUNTY LANDFILL, INC.

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

YEAR ENDED DECEMBER 31, 2023

	GENERAL FUND	ADJUSTMENTS PAGE 11	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES			
LANDFILL OPERATIONS	\$ 522,551	\$ 238,186	\$ 760,737
CAPITAL OUTLAY	551,652	(390,616)	161,036
DEBT SERVICE			
PRINCIPAL	316,972	(316,972)	-
INTEREST	4,536	10,374	14,910
TOTAL EXPENDITURES/EXPENSES	1,395,711	(459,028)	936,683
PROGRAM REVENUES:			
CHARGES FOR SERVICES	1,172,213	-	1,172,213
NET REVENUES	(223,498)	459,028	235,530
GENERAL REVENUES:			
INVESTMENT EARNINGS AND OTHER	47,632	-	47,632
REVENUES OVER (UNDER) EXPENDITURES	(175,866)	175,866	-
OTHER FINANCING SOURCES			
LOAN PROCEEDS	390,616	(390,616)	-
NET CHANGE IN FUND BALANCE	214,750	(214,750)	-
CHANGE IN NET POSITION	-	283,162	283,162
FUND BALANCE / NET POSITION JANUARY 1,	889,372	2,329,535	3,218,907
FUND BALANCE / NET POSITION DECEMBER 31,	\$ 1,104,122	\$ 2,397,947	\$ 3,502,069

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, 2023

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

Net change in fund balance	\$	214,750
<p>Inventories are expensed at acquisition in the governmental funds and reported as expenses when used in the government-wide statements</p>		
		-
<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	\$	390,616
Depreciation expense		<u>(250,555)</u>
		140,061
<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		(10,374)
Loan proceeds		(390,616)
Payment on note payable		329,341
Estimated current amount due from entities to provide for the estimated current change in the closure and post closure costs of the landfill		(859,000)
Estimated current year closure and post closure costs of the landfill		<u>859,000</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>283,162</u></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, 2023, 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, 2023, 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, 2023, \$2,131 of OCLI's bank balance totaling \$417,272 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, 2023, OCLI had the following investments:

	<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
COLOTRUST	External Investment Pool	Under 60 Day Avg.	\$ 577,263

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, 2023.

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. COLOTRUST issues a publicly available annual financial report that includes the assets of the Organization. That report may be obtained at the COLOTRUST website www.colotrust.com.

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, 2023:

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	1,247,457	-	-	1,247,457
Capital assets, being depreciated:				
Land improvements, equipment	4,490,647	390,616	-	4,881,263
Less accumulated depreciation for land improvements	<u>(3,054,063)</u>	<u>(250,555)</u>	<u>-</u>	<u>(3,304,618)</u>
TOTAL	<u>\$ 2,820,541</u>	<u>\$ 140,061</u>	<u>\$ -</u>	<u>\$ 2,960,602</u>

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

Landfill operations	<u>\$ 250,555</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, 2023:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities:				
Note Payable - Equipment	\$ 329,341	\$ 390,616	\$ 329,341	\$ 390,616
Estimated Closure and Post Closure Costs	<u>2,786,000</u>	<u>-</u>	<u>859,000</u>	<u>1,927,000</u>
TOTAL	<u>\$ 3,115,341</u>	<u>\$ 390,616</u>	<u>\$ 1,188,341</u>	<u>\$ 2,317,616</u>

ESTIMATED DUE
IN ONE YEAR

Note Payable - Equipment	\$ 123,421
Closure and Post Closure Costs	<u>192,700</u>
	<u>\$ 316,121</u>

Note Payable - Equipment

Otero Count Landfill, Inc. entered into an agreement with the First National Bank of Colorado on April 17, 2023, in the amount of \$390,616 to provide funding to purchase an excavator. The loan is payable in 3 annual installments of principal and interest at a rate of 5.40%. The payments begin on April 17, 2024. The loan is collateralized by the excavator.

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, 2023 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	123,421	21,093	144,514
2025	130,085	14,429	144,514
2026	<u>137,110</u>	<u>7,404</u>	<u>144,514</u>
Total	<u>\$ 390,616</u>	<u>\$ 42,926</u>	<u>\$ 433,542</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, 2023:

	<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	\$ 157,000	\$ -	\$ 333,000	\$ 207,000	\$ 70,000	\$ 767,000
Estimated post closure costs	<u>135,000</u>	<u>631,000</u>	<u>211,000</u>	<u>131,000</u>	<u>44,000</u>	<u>1,152,000</u>
	292,000	631,000	544,000	338,000	114,000	1,919,000
Costs recognized to date	292,000	631,000	544,000	338,000	114,000	1,919,000
Percent of capacity	100%	100%	86%	85%	36%	
Estimated Tire Disposal Costs						<u>8,000</u>
Total						<u>\$ 1,927,000</u>

Estimated closure Date	2024	Closed	2025	2025	2028
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, 2023. 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.

The Hazardous Materials and Waste Division of the Colorado Department of Public Health and Environment has officially granted approval for the release of closure costs connected to Otero County Landfill #1.

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, 2023 OCLI also purchased services from Otero County in the amount of \$365,399, of which \$27,217 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, 2023 was \$399,114 with \$0 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, 2023.

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, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
INTERGOVERNMENTAL - PARTICIPANTS	\$ 1,095,837	\$ 1,095,837	\$ 1,172,213	\$ 76,376
MISCELLANEOUS	13,669	13,669	47,632	33,963
TOTAL REVENUES	1,109,506	1,109,506	1,219,845	110,339
EXPENDITURES				
OPERATIONS	418,776	418,776	472,504	(53,728)
GENERAL ADMINISTRATIVE	20,400	20,400	17,604	2,796
CLOSURE	19,100	19,100	32,443	(13,343)
CAPITAL OUTLAY	650,204	650,204	551,652	98,552
DEBT SERVICE	-	-	321,508	(321,508)
TOTAL EXPENDITURES	1,108,480	1,108,480	1,395,711	(287,231)
REVENUES OVER (UNDER) EXPENDITURES	1,026	1,026	(175,866)	(176,892)
OTHER FINANCING SOURCES				
LOAN PROCEEDS	-	-	390,616	390,616
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	1,026	1,026	214,750	213,724
FUND BALANCE JANUARY 1	889,372	889,372	889,372	-
FUND BALANCE DECEMBER 31	\$ 890,398	\$ 890,398	\$ 1,104,122	\$ 213,724

SUPPLEMENTARY INFORMATION

OTERO COUNTY LANDFILL, INC.

GENERAL FUND
BALANCE SHEET

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 528,347	\$ 302,886
INVESTMENTS	577,263	499,614
ACCOUNTS RECEIVABLE	<u>67,650</u>	<u>170,125</u>
 TOTAL ASSETS	 <u>\$ 1,173,260</u>	 <u>\$ 972,625</u>
 LIABILITIES		
ACCOUNTS PAYABLE	\$ 45,414	\$ 67,917
UNEARNED REVENUE	<u>23,724</u>	<u>15,336</u>
 TOTAL LIABILITIES	 <u>69,138</u>	 <u>83,253</u>
 FUND BALANCE		
COMMITTED FOR CLOSURE AND POST CLOSURE COSTS	165,000	165,000
UNASSIGNED	<u>939,122</u>	<u>724,372</u>
 TOTAL FUND BALANCE	 <u>1,104,122</u>	 <u>889,372</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 1,173,260</u>	 <u>\$ 972,625</u>

OTERO COUNTY LANDFILL, INC.

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

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
REVENUES		
INTERGOVERNMENTAL - PARTICIPANTS	\$ 1,172,213	\$ 1,043,733
INVESTMENT EARNINGS AND OTHER	47,632	16,073
	<u>1,219,845</u>	<u>1,059,806</u>
TOTAL REVENUES		
EXPENDITURES		
SALARY AND BENEFITS	356,056	401,044
MONITORING	12,702	11,357
STATE USE FEE	30,162	25,154
TIRE PROCESSING/DISPOSAL	-	4,310
PROFESSIONAL SERVICES	17,604	17,964
UTILITIES	7,137	6,527
CAPITAL OUTLAY	551,652	948,796
CLOSURE COSTS	32,443	24,935
REPAIRS AND MAINTENANCE	51,123	90,799
DEBT SERVICE	321,508	173,476
OTHER	15,324	14,910
	<u>1,395,711</u>	<u>1,719,272</u>
TOTAL EXPENDITURES		
REVENUES OVER (UNDER) EXPENDITURES	(175,866)	(659,466)
OTHER FINANCING SOURCES		
LOAN PROCEEDS	390,616	485,615
	<u>390,616</u>	<u>485,615</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	214,750	(173,851)
FUND BALANCE JANUARY 1	<u>889,372</u>	<u>1,063,223</u>
FUND BALANCE DECEMBER 31	<u>\$ 1,104,122</u>	<u>\$ 889,372</u>