

AUDIT REPORT  
CAMERON PUBLIC WORKS AUTHORITY  
JUNE 30, 2013

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CAMERON PUBLIC WORKS AUTHORITY  
CAMERON, OKLAHOMA  
JUNE 30, 2013

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3-5
BASIC FINANCIAL STATEMENTS:	
EXHIBIT A STATEMENT OF NET POSITION - MODIFIED CASH BASIS	6
EXHIBIT B STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS	7
EXHIBIT C STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS	8
NOTES TO THE FINANCIAL STATEMENTS	9-16
SCHEDULE 1 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	17
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	17
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	18-19
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	20-22
OTHER SUPPLEMENTARY INFORMATION:	
SUMMARY STATUS OF PRIOR YEAR AUDIT FINDINGS	23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	24-25

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Cameron Public Works Authority  
Cameron, Oklahoma

### *Report on the Financial Statements*

We have audited the accompanying modified cash basis financial statements of the Cameron Public Works Authority, as of and for the fiscal year ended June 30, 2013, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting

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estimates made, by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Basis for Qualified Opinion*

The modified cash basis of accounting requires that items, having substantial support in U.S. generally accepted accounting principles, such as capitalizing assets at historical cost and recording depreciation, be recorded in the financial statements. The Authority has not maintained accurate capital asset records to support the historical cost of past capital asset purchases and the related depreciation. Documentation supporting historical cost and depreciation was not readily available for our review. The amount by which this departure would affect the assets, net position, and expenses of the Authority is not readily determinable.

## *Qualified Opinion*

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of Cameron Public Works Authority, as of June 30, 2013, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

## *Other Matters*

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements of the Cameron Public Works Authority.

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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

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records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## *Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2014, on our consideration of the Cameron Public Works Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Cameron Public Works Authority's internal control over financial reporting and compliance.

## *Basis of Accounting*

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Kershaw CPA & Associates, P.C.*

Kershaw CPA & Associates, PC

March 14, 2014

CAMERON PUBLIC WORKS AUTHORITY  
CAMERON, OKLAHOMA  
STATEMENT OF NET POSITION  
-MODIFIED CASH BASIS-  
JUNE 30, 2013

	2013	Memorandum Only 2012
<b><u>ASSETS</u></b>		
<b><u>Current Assets:</u></b>		
Water Operations & Maintenance Account	\$ 38,860	\$ 34,227
Water Savings	25,327	25,201
Sewer Operations & Maintenance Account	6,314	16,881
Sewer Projects	55	1,501
Total Current Assets	70,557	77,809
<b><u>Noncurrent Assets:</u></b>		
Restricted Sewer Reserve Account	63,095	62,781
Capital Assets, Net of Accumulated Depreciation	1,210,540	217,513
Total Noncurrent Assets	1,273,634	280,294
TOTAL ASSETS	\$ 1,344,192	\$ 358,103
<b><u>LIABILITIES &amp; NET POSITION</u></b>		
<b><u>Current Liabilities:</u></b>		
Refundable Customer Deposits	\$ 9,012	\$ 7,508
Current Portion of Long Term Debt	11,980	4,956
Total Current Liabilities	20,992	12,464
<b><u>Long-term Liabilities:</u></b>		
Notes Payable - USDA RD	686,203	51,699
Community Resource Group Note Payable	-	129,779
Less: Current Portion of Long Term Debt	(11,980)	(4,956)
Total Long-term Liabilities	674,223	176,522
TOTAL LIABILITIES	695,215	188,986
<b><u>Net Position:</u></b>		
Net investment in capital assets	524,336	165,814
Restricted for debt service	63,095	62,781
Unrestricted	61,546	(59,478)
TOTAL NET POSITION	648,977	169,117
TOTAL LIABILITIES & NET POSITION	\$ 1,344,192	\$ 358,103

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**CAMERON PUBLIC WORKS AUTHORITY  
CAMERON, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION  
-MODIFIED CASH BASIS-  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2013**

	2013	Memorandum Only 2012
<b>Operating Revenues:</b>		
Water Revenue	\$ 37,077	\$ 37,064
Sewer Revenue	49,855	51,332
Miscellaneous Income	6,921	6,363
<b>Total Operating Revenue</b>	<b>93,853</b>	<b>94,759</b>
<b>Operating Expenses:</b>		
Water Purchased	18,775	17,842
Labor, Repairs, and Maintenance	35,817	39,339
Collection Costs	-	-
Professional Fees	12,562	10,156
Office Expense	407	391
Deposit Refunds	-	-
Water Testing	624	1,855
ORWA Insurance/Dues	2,612	2,591
Bank Charges	50	24
Licenses, Dues & Subscriptions	288	868
Telephone	1,244	1,224
Utilities	573	641
Miscellaneous Expenses	399	371
Depreciation	6,172	6,762
<b>Total Operating Expenses</b>	<b>79,524</b>	<b>82,064</b>
<b>Net Operating Income (Loss)</b>	<b>14,329</b>	<b>12,695</b>
<b>Non-Operating Income &amp; (Expenses):</b>		
Interest Income	523	439
Interest Expense	(8,608)	(9,100)
Gain(Loss) on Sale of Assets	-	-
<b>Net Income (Loss) Before Contributions</b>	<b>6,245</b>	<b>4,034</b>
<b>Capital Contributions</b>	<b>473,614</b>	<b>-</b>
<b>Change in Net Position</b>	<b>479,859</b>	<b>4,034</b>
<b>Total Net Position, Beginning of Year</b>	<b>169,117</b>	<b>160,984</b>
<b>Total Net Position, Prior Year Adjustment</b>	<b>-</b>	<b>4,098</b>
<b>Total Net Position, End of Year</b>	<b>\$ 648,977</b>	<b>\$ 169,117</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

**CAMERON PUBLIC WORKS AUTHORITY  
CAMERON, OKLAHOMA  
STATEMENT OF CASH FLOWS  
-MODIFIED CASH BASIS-  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	2013	Memorandum Only 2012
<b><u>Cash Flows from Operating Activities:</u></b>		
Cash Receipts from Customers	\$ 93,853	\$ 94,759
Payments to Suppliers for Goods & Services	(73,352)	(75,302)
Receipts of Customer Utility Deposits, Net of Refunds	1,505	1,338
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>22,005</b>	<b>20,796</b>
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>		
Additions to Capital Assets	(999,199)	-
Grant Income	473,614	-
Loan Proceeds	694,000	-
Principal paid on Debt	(189,275)	(4,714)
Interest paid on Debt	(8,608)	(9,100)
<b>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</b>	<b>(29,467)</b>	<b>(13,814)</b>
<b><u>Cash Flows from Investing Activities:</u></b>		
Capital Contributions - Memberships	-	-
Interest Income	523	439
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>523</b>	<b>439</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(6,938)</b>	<b>7,421</b>
<b>Cash &amp; Cash Equivalents, Beginning of Year</b>	<b>140,590</b>	<b>128,972</b>
<b>Cash &amp; Cash Equivalents, Prior Year Adjustment</b>	<b>-</b>	<b>4,198</b>
<b>Cash &amp; Cash Equivalents, End of Year</b>	<b>\$ 133,652</b>	<b>\$ 140,590</b>
<b><u>Reconciliation of operating income (loss) to net cash provided operating activities:</u></b>		
Operating Income (Loss)	\$ 14,329	\$ 12,695
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	6,172	6,762
(Increase)Decrease in Accounts Receivable-Trade	-	-
Increase(Decrease) in Accounts Payable	-	-
Increase(Decrease) in Refundable Customer Deposits	1,505	1,338
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 22,005</b>	<b>\$ 20,796</b>

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

CAMERON PUBLIC WORKS AUTHORITY  
CAMERON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. Reporting Entity

Cameron Public Works Authority, a component unit of the Town of Cameron, Oklahoma, accounts for the activities of the public trust in providing water and sewer services to the public.

B. Basis of Presentation

The accounts of the Authority are organized on the basis of proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net assets, revenues and expenses. Enterprise Funds account for activities (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

C. Measurement Focus and Basis of Accounting

Measurement Focus

The Authority utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or

CAMERON PUBLIC WORKS AUTHORITY  
CAMERON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Authority utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for proprietary fund types would use the accrual basis of accounting.

D. Financial Position

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts, certificates of deposit, and open-ended mutual funds with a maturity of three months or less.

CAMERON PUBLIC WORKS AUTHORITY  
CAMERON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Accounts Receivable

As a result of the use of the cash basis of accounting, accounts receivable and other revenue related receivables are not reported in the financial statements.

Inventories

The Authority records materials and supplies inventory as expenditures at the time the inventory is purchased; therefore, no inventory balances for materials and supplies not yet consumed are reported in the combined statement of assets, liabilities and fund balances.

Capital Assets

Capital assets have been combined and recorded at cost in the financial statements and are depreciated using the straight-line method over their useful life. The capitalization threshold has been set at \$1,000.00. However, the Authority has not maintained records of the capital assets and has not recorded depreciation for the water system.

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of various debt issues.

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to

CAMERON PUBLIC WORKS AUTHORITY  
CAMERON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

3. Unrestricted - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the Authority's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

E. Revenues, expenditures & expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

F. Income Taxes

CPWA is a non-profit organization and is exempt from federal and state income taxes.

G. Memorandum Only

Total Column on Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns is presented for informational comparison purposes only.

NOTE 2 - CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2013, the Authority held deposits of approximately \$133,652 at financial institutions. The Authority's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S.

CAMERON PUBLIC WORKS AUTHORITY  
CAMERON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

Government insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Investment Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Authority has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school Department tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school Department.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 3 - CAPITAL ASSETS

Capital asset activity, for the fiscal year ended June 30, 2013, was as follows:

CAMERON PUBLIC WORKS AUTHORITY  
CAMERON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

	Balance at June 30, 2012	Additions	Deductions	Balance at June 30, 2013
Water System	\$ 53,277	\$ -	\$ -	\$ 53,277
Sewer System	131,267	-	-	131,267
Sewer System Improvements	7,631	-	-	7,631
Office Equipment	1,778	-	-	1,778
Building Improvements	15,306	-	-	15,306
Construction in Progress	131,779	999,199	-	1,130,978
Subtotal	341,039	999,199	-	1,340,237
Less: Accum. Depr.	(123,526)	(6,172)	-	(129,698)
Total Capital Assets (Net of Depreciation)	<u>\$ 217,513</u>	<u>\$ 993,027</u>	<u>\$ -</u>	<u>\$ 1,210,540</u>

NOTE 4 - RESTRICTED ASSETS

The loan agreements with the United States Department of Agriculture Rural Development (USDA) requires the Authority to set aside into a Reserve Account an accumulated amount equal to the sum of the annual installment (\$24,744), after which deposits may be suspended, except to replace withdrawals. The Authority cannot withdraw funds from the reserve account without USDA approval. As of June 30, 2013, the Authority was required to have at least \$1,031.00 set aside in the reserve account; as of that date the account balance for the reserve account was \$63,094.95, which complies with the covenants of the loan agreement.

NOTE 5 - LONG-TERM DEBT

The Cameron Public Works Authority is indebted to the Farmers Home Administration (USDA Rural Development) in the amount of \$56,413.05. These notes have a payment of \$619.00 per month with an interest rate of 5.0%. The PWA has complied with their loan agreement and cash reserves were maintained. The Reserve Savings Account is adequate to cover debt service for one year. This loan was paid off during the current year.

The Authority has a loan dated July 14, 2010 to Community Resource Group, Inc. in the amount of \$144,120.00. The loan is for a period of two years with interest at 4.9%. This loan was paid off during the current year.

The Authority has a note payable with to the United States Department of Agriculture Rural Development (USDA), payable in 480 monthly installments of \$2,062.00 until maturity, including interest at 1.8750%. The loan dated January 8, 2013 is for an original amount of \$694,000.00. The purpose of the loan was to make improvements and additions to the water distribution system and pay off the existing

CAMERON PUBLIC WORKS AUTHORITY  
CAMERON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

USDA Notes 92-02 and 92-03 and the CRG loan. Repayment of the loan began in February 2013. The note is secured by all facilities of the Authority. As of June 30, 2013, the Authority has received all loan proceeds for this loan.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	Balance at June 30, 2012	Additions	Deductions	Balance at June 30, 2013
FHA Loan 92-02 (USDA)	\$ 42,696	\$ -	\$ (42,696)	\$ -
FHA Loan 92-03(USDA)	9,003	-	(9,003)	-
USDA Loan 92-04	-	694,000	(7,797)	686,203
Community Resource Group, Inc.	129,779	-	(129,779)	-
<b>Total Long-Term Debt</b>	<b>\$ 181,478</b>	<b>\$ 694,000</b>	<b>\$ (189,275)</b>	<b>\$ 686,203</b>

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2013, are as follows:

Year Ending June 30,	Note Payable - RD 92-04		Total
	Principal	Interest	
2014	\$ 11,980	\$ 12,764	\$ 24,744
2015	12,207	12,537	24,744
2016	12,438	12,306	24,744
2017	12,673	12,071	24,744
2018	12,913	11,831	24,744
2019-2023	68,320	55,400	123,720
2024-2028	75,029	48,691	123,720
2029-2033	82,397	41,323	123,720
2034-2038	90,489	33,231	123,720
2039-2043	99,376	24,344	123,720
2044-2048	109,135	14,585	123,720
2049-2053	99,247	4,011	103,258
<b>Total</b>	<b>\$ 686,203</b>	<b>\$ 283,095</b>	<b>\$ 969,298</b>

NOTE 6 - FUND EQUITY

As described in Note 1 above, equity is classified as net position and displayed in three components:

1. Net investment in capital assets
2. Restricted

CAMERON PUBLIC WORKS AUTHORITY  
CAMERON, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

3. Unrestricted

Restricted amounts are described in Note 4 above.

NOTE 7 - CONTINGENCIES

Litigation

According to management there were no known contingent liabilities at June 30, 2013, which would have a material effect on the financial statements.

Federally Assisted Programs

In the normal course of operations, the Authority participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 8 - FINANCIAL REPORTING

Prior to the fiscal year ending June 30, 2009, the Cameron PWA reported its Sewer and Water Departments in separate reports. For the fiscal year ending June 30, 2009 and carrying forward, all activity of the Authority has been combined into one report.

NOTE 9 - SUBSEQUENT EVENTS

The Authority did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2013.

**CAMERON PUBLIC WORKS AUTHORITY  
CAMERON, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA No.</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
<b><u>USDA Rural Development:</u></b>			
Loan:			
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 694,000	\$ 694,000
Grant:			
Water and Waste Disposal Systems for Rural Communities	10.760	<u>\$ 1,857,600</u>	<u>\$ 473,614</u>
Total		<u>\$ 2,551,600</u>	<u>\$ 1,167,614</u>

**CAMERON PUBLIC WORKS AUTHORITY  
CAMERON, OKLAHOMA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2013**

**NOTE 1 - GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the Cameron Public Works Authority (the "Authority").

The Authority's reporting entity is defined in Note 1 to the Authority's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is present using the modified cash basis of accounting, which is described in Note 1 to the Authority's basic financial statements.

**NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Federal awards revenues are reported in the Authority's basic financial statements as follows:

**Federal Sources**

General	<u>\$ 1,167,614</u>
Total	<u>\$ 1,167,614</u>

**NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with the modified cash basis of accounting.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Cameron Public Works Authority  
Cameron, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes, the modified cash basis financial statements of the Cameron Public Works Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, and have issued our report thereon dated March 14, 2014, which was qualified for the improper capital asset recordkeeping.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cameron Public Works Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cameron Public Works Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Cameron Public Works Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations,

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during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that we consider to be significant deficiencies. Those deficiencies are listed as Items 13-01.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cameron Public Works Authority's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## Cameron Public Works Authority's Response to Findings

Cameron Public Works Authority's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Cameron Public Works Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kershaw CPA & Associates, P.C.*

Kershaw CPA & Associates, PC

March 14, 2014

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## REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors  
Cameron Public Works Authority  
Cameron, Oklahoma

### Report on Compliance for Each Major Federal Program

We have audited the Cameron Public Works Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Cameron Public Works Authority's major federal programs for the year ended June 30, 2013. The Cameron Public Works Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Cameron Public Works Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and in accordance with Oklahoma Statutes. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Cameron Public Works Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Cameron Public Works Authority's compliance.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

## Opinion on Each Major Federal Program

In our opinion, the Cameron Public Works Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of the Cameron Public Works Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Cameron Public Works Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cameron Public Works Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct, noncompliance with a type of compliance requirement of a federal program a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely

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basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Kershaw CPA & Associates, P.C.*  
Kershaw, CPA & Associates, PC

March 14, 2014

CAMERON PUBLIC WORKS AUTHORITY  
CAMERON, OKLAHOMA  
SUMMARY STATUS OF PRIOR AUDIT FINDINGS  
JUNE 30, 2013

Item 12-01: Refundable Customer Deposits

Criteria: It is the responsibility of the Authority to properly report and account for the financial information.

Condition: The Authority does not keep a ledger or any other documentation regarding the balance of customer deposits.

Cause/Effect: Customers could potentially not receive proper reimbursement on their deposit and the organization's Statement of Net Assets could be incorrect with respect to the deposit account.

Recommendation: It is recommended that the organization properly report and account for the balance of customer deposits.

Response: The Authority has been made aware of the problem and will take steps to correct the situation.

Current Status: The finding still exists.



CAMERON PUBLIC WORKS AUTHORITY  
CAMERON, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013

Condition: The Authority does not keep a ledger or any other documentation regarding the balance of customer deposits.

Cause/Effect: Customers could potentially not receive proper reimbursement on their deposit and the organization's Statement of Net Assets could be incorrect with respect to the deposit account.

Recommendation: It is recommended that the organization properly report and account for the balance of customer deposits.

Response: The Authority has been made aware of the problem and will take steps to correct the situation.

COMPLIANCE FINDINGS:

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None