

*The Bethany-Warr Acres
Public Works Authority*

Serving the Cities of Bethany and Warr Acres, Oklahoma

*Annual Financial Report
For
The Fiscal Year Ended
June 30, 2016*



The Bethany-Warr Acres Public Works Authority
Serving the Cities of Bethany and Warr Acres, Oklahoma

Annual Financial Report
for
The Fiscal Year Ended
June 30, 2016

Prepared by:

City of Bethany
Finance Department

The Bethany-Warr Acres Public Works Authority

*Annual Financial Report
For
The Fiscal Year Ended
June 30, 2016*

Table of Contents

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	3-5
List of Principal Officials	6
FINANCIAL SECTION	
Independent Auditor's Report	9-10
Basic Financial Statements:	
Statement of Net Assets	11
Statement of Revenues, Expenses, and Changes in Fund Net Assets	12
Statement of Cash Flows	13
Notes to the Financial Statements	14-26
Supplemental Schedule:	
Schedule of Changes in Net Pension Liability and Related Notes	27
Schedule of Employer Contributions	28
Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	29-30

Bethany
PWA
MANAGES

Public Works Authority



Bethany-Warr Acres Public Works Authority
A Joint Trust Operating the Bluff Creek Plant

4301 NW 192nd • Edmond, OK 73012-9092 • (405) 341-4260 • Fax: (405) 341-7359

February 9, 2017

**Honorable Chairman,
Trustees, and
Citizens of Bethany and Warr Acres**

We present to you the audited financial statements for the year ended June 30, 2016 for the Bethany-Warr Acres Public Works Authority (the Authority). Oklahoma State law requires that all public trusts publish within six months after the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP). These statements are to be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Authority has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Bethany-Warr Acres Public Works Authority's financial statements have been audited by the independent accounting firm of Russell & Williams CPAs, PC. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Profile of the Bethany-Warr Acres Public Works Authority

The Bethany Warr-Acres Public Works Authority is a public trust created under Oklahoma statutes for the use and benefit of the Cities of Bethany and Warr Acres. The trust furnishes public and municipal services within and without the boundaries of the two cities. The trustees consist of two representatives from each city and a fifth trustee who is appointed as a representative of the City of Warr Acres or the City of Bethany on an alternate basis each year. The Trust owns the Bluff Creek Regional Water Pollution Control Facility (the plant).

The plant is operated under the terms of a contract between the Authority, the Bethany Public Works Authority, and the Warr Acres Public Works Authority. The latter two remit to the Authority, on or before the fifteenth day of each month, amounts billed for wastewater treatment during the preceding calendar month. The Authority may remit any surplus receipts to the Bethany Public Works Authority and the City of Warr Acres after payment for operation and maintenance expense, currently due principal and interest payments and capital improvements. The distributions, if made, are made in the proportion that the total revenue collected within the corporate limits of each municipality bears to the total revenue collected.

Factors Affecting Financial Conditions

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Bethany-Warr Acres Public Works Authority operates.

Local economy

Located on the western edge of the Oklahoma City urbanized area, the cities of Bethany and Warr Acres are primarily residential communities. As the economy of the entire area expands, the two cities will benefit with an increase in population, retail sales and jobs. While surrounded on all sides by Oklahoma City, there is still room for new commercial and residential development.

Long-term financial planning

A capital improvement plan is used to guide capital spending. Capital improvements means equipment, land, buildings, or sewer lines and all other items not consumed but diminished in value with prolonged use or time.

Investment and Cash Management

The objective of the investment and cash management process of the Trust is to manage and invest public funds with regard to the following criteria.

Safety of principal is the foremost objective of the Investment/Cash Management Program for the Trust. All investments are undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.

Liquidity is the second objective and the Trust's investment portfolio is structured in such a manner as to remain sufficiently liquid to enable the Trust to meet all operating requirements which might be reasonably anticipated.

Finally, the Trust's investment portfolio is designed with the objective of attaining a market yield throughout budgetary and economic cycles, taking into account investment risk constraints and the cash flow characteristics of the portfolio.

Risk Management

The Trust's risk management activities are designed to help prevent losses. Trust employees participate in accident investigation as well as prevention training. The Trust purchases insurance protection for all known risks.

Pension and other post employment benefits

All Trust employees participate in the Oklahoma Municipal Retirement Fund. This multiple-employer public retirement system acts as a common investment and administrative agent for cities in Oklahoma. This plan is funded on an actuarial basis. All Trust employees who retire are able to retain the health insurance policy at their own expense. This plan is not funded.

Acknowledgments

The preparation of this annual financial report was made possible by the dedicated service of all staff members. Each person is commended for their contributions towards the preparation of this report. The leadership and support of the governing body is gratefully acknowledged as the Trust Management continues to improve financial reporting.

Respectfully submitted,

Glenn Brentnell
General Manager

Bethany-Warr Acres Public Works Authority

List of Principal Officials

June 30, 2016

Chairman and Trustees

Bryan Taylor, Chairman – Mayor of Bethany
Pat Woolley, Trustee – Mayor of Warr Acres
Pamela Ramirez, Trustee – City Clerk of Warr Acres
Steve Harzman Trustee – Acting City Manager of Bethany
William McClure, Trustee – City of Warr Acres

Appointed Trust Officials

Glenn Brentnell, General Manager
Andrew Hill, Trust Attorney
Paul D'Andrea, Trust Engineer

Financial Section

Bethany
PWA
MANAGES

Public Works Authority

Russell & Williams CPAs, PC

Casey J. Russell, C.P.A., M.B.A.
Autumn L. Williams, C.P.A., Esq.
Member AICPA & OSCP

2812 NW 57th Street, Suite 102
Oklahoma City, Oklahoma 73112

Phone: (405) 607-8743
Fax: (405) 607-8744
Email: caseycpa@hotmail.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Bethany-Warr Acres
Public Works Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Bethany-Warr Acres Public Works Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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 accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bethany-Warr Acres Public Works Authority as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and schedule of funding progress, information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the pension information on pages 29-30 be presented to supplement the basic financial statements. Such information, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2017, on our consideration of the Bethany-Warr Acres Public Work 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bethany-Warr Acres Public Works Authority's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
February 6, 2017

Introductory Section

Bethany
PWA
MANAGES

Public Works Authority

Bethany-Warr Acres Public Works Authority
Statement of Net Assets
As of June 30, 2016

Assets	
Current Assets	
Cash and Cash Equivalents - Unrestricted	1,682,335.74
Accounts Receivable (Net of Allowance)	<u>78,363.79</u>
Total Current Assets	1,760,699.53
Restricted Assets	
Investments	<u>101,467.37</u>
Total Restricted Assets	101,467.37
Capital Assets	
Plant and Buildings	13,130,146.67
Improvements	4,295,516.19
Machinery and Equipment	619,883.49
Construction in Process	813,821.85
Accumulated Depreciation	<u>(14,608,152.90)</u>
Capital Assets (Net)	4,251,215.30
Total Assets	<u><u>\$ 6,113,382.20</u></u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	<u>131,612.09</u>
Liabilities	
Current Liabilities	
Accounts Payable	99,735.65
Employment Payables	11,372.14
Compensated Absences	<u>27,797.74</u>
Total Current Liabilities	138,905.53
Non-Current Liabilities	
Customer Security Deposits	17,085.00
Pension Liability	<u>317,520.00</u>
Total Non-Current Liabilities	<u>334,605.00</u>
Total Liabilities	<u><u>\$ 473,510.53</u></u>
Deferred Inflow of Resources	
Deferred Inflows Related to Pensions	<u>121,439.00</u>
Net Assets	
Investments in Capital Assets, Net of Related Debt	4,251,215.30
Restricted for Debt Service and Other	101,467.43
Unrestricted	<u>1,297,362.03</u>
Total Net Assets	<u><u>\$ 5,650,044.76</u></u>

The accompanying notes are an integral part of these financial statements.

Bethany-Warr Acres Public Works Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ending June 30, 2016

Operating Revenues	1,716,255.11
Operating Expenses	
Salaries, Wages and Benefits	424,128.01
Materials and Supplies	158,328.74
Professional Services	131,091.10
Utilities	259,630.81
Insurance	15,687.00
Depreciation	207,115.04
Total Operating Expenses	<u>1,195,980.70</u>
Operating Income (Loss)	520,274.41
Non-Operating Revenues (Expnses)	
Investment Income	13,058.29
Interest Expense	<u>(2,101.73)</u>
Total Non-Operating Revenues (Expenses)	<u>10,956.56</u>
Change in Net Assets	531,230.97
Beginning Net Assets	<u>5,118,813.79</u>
Ending Net Assets	<u><u>\$ 5,650,044.76</u></u>

The accompanying notes are integral part of these financial statements.

Bethany-Warr Acres Public Works Authority
Statement of Cash Flows
As of June 30, 2016

Cash Flows From Operating Activities	
Cash Received From Customers	1,806,592.52
Cash Payments to Suppliers	(569,990.63)
Cash Payments to Employees	<u>(447,094.91)</u>
Net Cash Provided by (Used) by Operating Activities	789,506.98
Cash Flows From Capital and Related Activities	
Acquisition and Construction of Assets	(813,821.85)
Interest Paid	(2,101.73)
Customer Security Deposits	(30.00)
Principal Paid on Notes Payable	<u>(93,719.13)</u>
Net Cash Used by Capital and Related Activities	(909,672.71)
Cash Flows From Investing Activities	
Interest Income	13,058.29
Proceeds From Sale or Maturities of Investments	<u>242,987.38</u>
Net Cash Provided by Sale or Maturities of Investments	256,045.67
Net Increase (Decrease) in Cash and Cash Equivalents	135,879.94
Cash and Cash Equivalent, Beginning of Year	<u>1,546,455.80</u>
Cash and Cash Equivalent, End of Year	<u>\$ 1,682,335.74</u>

Reconciliation of Cash and Changes in Net Assets

Net Operating Income (Loss)	520,274.41
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:	
Depreciation	207,115.04
Change in Assets and Liabilities	
Deferred Amounts Related to Pensions	(25,725.64)
(Increase) Decrease in Accounts Receivable	90,337.41
(Increase) Decrease in Prepaid Expenses	(3.00)
Decrease (Increase) in Accounts Payable	(3,967.27)
Decrease (Increase) in Employment Payable	2,290.82
Decrease (Increase) in Other Accrued Expenses	<u>(814.79)</u>
Total Adjustments	<u>269,232.57</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ 789,506.98</u>

The accompanying notes are an integral part of these financial statements.

I. Summary of Significant Accounting Policies

Reporting Entity

The Bethany-Warr Acres Public Works Authority (the Authority) is a public trust created under Oklahoma statutes for the use and benefit of the City of Bethany and the City of Warr Acres, Oklahoma. Its purpose is to furnish public and municipal services inside and outside the boundaries of the two cities. Five representatives of the cities of Bethany and Warr Acres jointly govern the Authority. The board of trustees consists of two representatives from each city and a fifth trustee who is appointed as a representative of the City of Warr Acres or the City of Bethany in alternating years.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the Authority are described below.

Financial Statement Presentation

The Authority's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*. Under GASB Statements No. 34, the Authority is required to present a statement of net assets classified between current and noncurrent assets and liabilities, a statement of revenues, expenses and changes in fund net assets, with separate presentation for operating and non operating revenues and expenses, and a statement of cash flows using the direct method.

Basis of Accounting

For financial reporting purposes, the Authority is considered a special-purpose government engaged only in business-type activities. Accordingly, the Authority's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The Authority has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Authority has elected to apply FASB pronouncements issued after that date, if applicable.

I. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

As authorized by state statutes, the Authority has adopted an investment policy that allows investment in obligations of the U.S. Government including its agencies and instrumentalities, insured or collateralized certificates of deposit, repurchase agreements, money market funds, commercial paper, and banker's acceptances.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016 were recorded as prepaid items.

Restricted Assets

Certain proceeds of promissory notes, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. These assets are held in trust by the trustee banks and consist of cash and investments. Interest earnings are used to pay principal and interest on these promissory notes when due. The excess of restricted assets over liabilities payable from restricted assets is included as net assets reserved for debt service.

Compensated Absences

Employees are granted annual and sick leave based upon length of employment. In the event of termination, the employee is paid for accumulated vacation leave (maximum 30 days). Payment of sick leave is restricted to those who retire with more than 90 days of accumulated benefits and is limited to a maximum compensation equivalent to 15 days. Vested or accumulated vacation and sick leave that is expected to be liquidated with economic resources is reported as an expense and liability.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, except for borrowing related to unspent proceeds to be used for capital asset acquisition activities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the city or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred that can be paid using either restricted or unrestricted resources, the Authority's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

New Accounting Pronouncements

- The City implemented GASB Statement No. 68, *Accounting and Financial Reporting For Pensions – An Amendment of GASB Statement No. 27*. GASB 68 is intended to improve financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.
- GASB Statement No. 72, “Fair Value Measurement and Application” — This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement will become effective for the City in the fiscal year ended June 30, 2016.
- GASB Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68” — This objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement will become effective for the City in the fiscal year ended June 30, 2016.
- GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” — The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability and replaces the requirements of GASB Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and GASB Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”. This Statement also includes requirements for those OPEB plans in GASB Statement No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans” and GASB Statement No. 50, “Pension Disclosures”. This Statement will become effective for the City in the fiscal year ended June 30, 2017.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.
- GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments” — The objective of this Statement is to identify the hierarchy of generally accepted accounting principles and supersedes GASB Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. This Statement will become effective for the City in the fiscal year ended June 30, 2016.
- GASB Statement No. 77, “Tax Abatement Disclosures” — This Statement requires governments that enter into tax abatement agreements to disclose information about the nature and magnitude of the agreements to increase transparency to financial statement users. This Statement will become effective for the City in the fiscal year ended June 30, 2017.

II. Deposits and Investments

For purpose of the statement of cash flows, only demand deposits are considered as cash. State statutes authorize investments in: (a) direct obligations of the United States Government, the payment of which the full faith and credit of the Government of the United States is pledged; (b) certificates of deposit which are secured by acceptable collateral, as in the deposit of other monies; or (c) savings accounts or savings certificates in savings and loan associations, banks and trust companies, to the extent that the accounts or certificates are fully insured by the Federal Savings and Loan Insurance Corporation or the Federal Deposit Insurance Corporation.

Custodial Credit Risk

At June 30, 2016, the Authority held deposits of \$1,190,376 at financial institutions. These institutions are required by law to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance at least equal to the amount on deposit at all times. As of June 30, 2016, the balances in cash and certificates of deposit were fully secured.

Investment Interest Rate Risk

While the Authority does have a formal investment policy, it does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Authority’s investment policy limits its investment choices to the limitations set forth in 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 deposit 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 banker's acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district 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 district.
- 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.).

The investments held at June 30, 2016 are as follows:

Type	Weighted Average Maturity (Years)	Credit Rating	Market Value	Cost
Investments				
Government Agency Notes	1.0	AAA	\$101,467.37	\$101,467.37
Total investments			<u>\$101,467.37</u>	<u>\$101,467.37</u>

Concentration of Investment Credit Risk

The Authority places no limit on the amount it may invest in any one issuer. The Authority has the following credit risk: 100.0% invested in U.S. government agency securities.

III. Receivables

Receivables are reported at their net value due and consist of amounts due from the City of Bethany, the City of Warr Acres and a small group of service recipients located outside of these two cities:

Cities of Bethany & Warr Acres	\$	55,316
Oklahoma City customers		22,963
Penalties		2,085
Gross Receivables	\$	80,364
Allowance for Doubtful Accounts		(2,000)
Net Receivables	\$	<u>78,364</u>

IV. Capital Assets

Capital assets are stated at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets. The following estimated useful lives are used to compute depreciation:

Buildings and Improvements	5-25 years
Machinery and Equipment	3-10 years
Infrastructure	40-50 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital asset, as applicable.

	<u>July 01, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
Treatment facility	\$ 13,130,147	\$ -	\$ -	\$ 13,130,147
Infrastructure improvements	3,384,847	910,670	-	4,295,516
Machinery and equipment	619,883	-	-	619,883
Construction in progress	910,670	-	910,670	-
Accumulated depreciation	<u>(14,401,038)</u>	<u>-</u>	<u>207,115</u>	<u>(14,608,153)</u>
Capital assets, net	<u>\$ 3,644,509</u>	<u>\$ 910,670</u>	<u>\$ 1,117,785</u>	<u>\$ 3,437,393</u>

V. Long-term debt

A new wastewater treatment plant was constructed in 1995 to meet regulatory requirements. This plant was financed with notes from the Oklahoma Water Resources Board (OWRB). The original amount of the notes was \$10,084,940. As of June 30, 2016, the Authority had repaid the full amount of this note.

Changes in long-term debt

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	<u>Balance at July 1, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Notes Payable	\$ 93,719	\$ -	\$ 93,719	\$ -	\$ -

VI. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority has commercial insurance coverage for all risks of loss, including workers'

compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

VII. Employee Retirement Systems

Hybrid Plan Hybrid contributions are accumulated at the actual rate earned by the retirement fund and paid to the employee upon retirement in addition to the accrued benefit.

During the year ending June 30, 2016 covered employees were required to contribute 6.0 % of their gross payroll which the Authority pays for them. Authority contributions are variable and were 20.35% for the current year. The covered payroll for the year was \$286,191. Actual Authority and employee contributions for the year were \$70,225 and \$17,171 respectively.

Schedule of funding progress was as follows as of January 1, 2016:

Value of Assets	\$ 2,060,711
Actuarial Accrued Liability	<u>(2,519,996)</u>
Unfunded Liability	<u>\$ 459,284</u>

The OMRF issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report may be obtained by writing OMRF, 525 Central Park, Suite 320, Oklahoma City, OK 73105.

Other Post Employment Benefits

11 O.S. Section 23-108 requires municipal employers who offer health insurance plans to employees to allow retirees to continue in force the health insurance plan and coverage. The retiree shall pay up to 100% of the premium cost, but no more than 125% of the cost to current employees of the plan.

The Bethany Warr Acres Public Works Authority offers a health insurance plan for its employees that pays 100% of the cost of employee coverage and allows employees to purchase dependent coverage through payroll deduction. There is currently one retiree retaining the health insurance plan offered who pays 100% of the premium cost. The premiums are not derived as a blended rate due to the small employee number. Rather each employee/retiree is rated based on the individual's age and an actuarial measurement performed by the health insurance provider. Therefore, there is no subsidy accruing, actual or implied, for retiree premiums and no funds are paid out of the Authority for these retiree benefits.

VIII. Contractual Agreement for Maintaining and Operating the Plant

The Bluff Creek Wastewater Treatment Plant and gathering system is operated under the terms of a contract between the Authority, the Bethany Public Works Authority (BPWA), and the Warr Acres Public Works Authority (WAPWA). BPWA and WAPWA remit to the Authority, on or before the fifteenth day of each month, amounts billed for wastewater treatment during the preceding calendar month.

The Authority may remit any surplus receipts to the Bethany Public Works Authority and the City of Warr Acres after payment of operation and maintenance expenses, principal and interest payments and capital asset acquisitions. The distributions, if made, are made in the proportion that total revenue collected within the city limits of each municipality bears to the total revenue collected by the Authority.

IX. Economic Dependence

A material part of the Authority’s operating revenues is dependent on two primary customers, the loss of which could have a material effect on the Authority. A summary of revenues from these customers is as follows:

	<u>Year Ended 6/30/16</u>	
	<u>Revenues</u>	<u>% of Revenues</u>
City of Bethany	\$ 855,205.90	50.0%
City of Warr Acres	\$ 696,387.82	40.7%

X. Subsequent Events

Subsequent events have been evaluated through June 20, 2016, which is the date the financial statements were available to be issued.

XI. OKLAHOMA MUNICIPAL RETIREMENT FUND (OMRF)

1. Defined Benefit Plan Description

The Authority contributes to the OkMRF for all eligible employees. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the Board of Directors in accordance with O.S. Title 11, Section 48-101-102.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority’s plan and additions to/deductions from the Authority’s fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans’ fiduciary net position is available in the separately issued OkMRF financial report.

Eligibility Factors and Benefit Provisions

Provision	OkMRF – As of 7/01/15
a. Eligible to participate	Full-time employees except, police, firefighters and other employees who are covered under an approved system.

- b. Period Required to Vest 10 years of credited service
- c. Eligibility for Normal retirement at age 65 with 10 years of service
 Distribution Early retirement at age 55 with 80 points and 10 years' service
 Disability retirement upon disability with 10 years' service
 Death benefit with 10 years of service for married employees
- d. Benefit Determination Final average salary – the average of the five highest consecutive
 Base Base annual salaries out of the last 10 calendar years of service
- e. Benefit Determination
 Methods:
 - 3% of final average salary multiplied by credited years of service
 - Normal Retirement
 - Actuarially reduced benefit based upon age, final average salary,
 - Early Retirement and years of service at termination
 - Same as normal retirement
 - Disability Retirement
 - Death Benefit
 - Prior to 10 Years 50% of employees accrued benefit, but terminates upon spouse
 Service re-marriage
 No benefits
- f. Benefit Authorization Benefits are established and amended by Authority's Board of
 Directors adoption of an ordinance in accordance with O.S. Title,
 11, Sec. 48-101-102
- g. Form of Benefit Normal form is a 60 months certain and life thereafter basis.
 Payments Employee may elect, with Authority consent, option form based
 on actuarial equivalent.

Employees Covered by Benefit Terms	
Active Employees	7
Deferred Vested Former Employees	-
Retirees or Retiree Beneficiaries	8
Total	15

Contribution Requirements

The Authority's Board of Directors has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 10.64% of covered payroll as of 7-1-15. For the year ended June 30, 2016, the Authority recognized \$57,745 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$302,017. Employees cannot contribute to the plan in accordance with the plan provisions adopted by the Authority's Board of Directors.

Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2015
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.75%
c. Projected Salary Increase	Varies between 4% and 7.42% based on age
d. Post Retirement cost of living increase	None
e. Inflation Rate	3%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown Additional Rates per thousand are added during the first 5 years: Year 1: 215 Year 2: 140 Year 3: 95 Year 4: 65 Year 5: 40
j. Date of last experience study	September 2012 for fiscal years 2007 thru 2011

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan’s net fiduciary position is projected to be sufficient to make projected benefit payments.

The Authority has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2015 are summarized in the following table:

	<u>Target Allocation</u>	<u>Real Return</u>	<u>Weighted Return</u>
Large Cap Stocks			
S&P 500	25%	5.40%	1.35%
Small/mid cap stocks			
Russell 2500	10%	7.50%	0.75%
Long/short equity			
MSCI ACWI	10%	6.10%	0.61%
International Stocks			
MSCI EAFE	20%	5.10%	1.02%
Fixed Income Bonds			
Barclay's Capital Aggregate	30%	2.60%	0.78%
Real Estate			
NCREIF	5%	4.80%	0.24%
Cash Equivalents			
3 month Treasury	<u>0%</u>	<u>0.00%</u>	<u>0.00%</u>
Total	100%		
Average Real Return			4.75%
Inflation			<u>3.00%</u>
Long-term expected return			<u>7.75%</u>

Changes in Net Pension Liability – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2015 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of July 1, 2015 and the Authority's report ending date of June 30, 2016, that would have had a significant impact on the net pension liability. The following table reports the components of changes in net pension liability:

Schedule of Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances Beginning of Year	\$ 2,501,490	\$ 2,258,284	\$ 243,206
Changes for the Year:			
Service Cost	31,869	-	31,869
Interest Cost	189,348	-	189,348
Difference Between Expected and Actual Experience	-	-	-
	(14,250)	-	(14,250)
Changes in Assumptions	-	-	-
Contributions - Authority	-	57,745	(57,745)
Contributions - Employees	-	17,026	(17,026)
Net Investment Income	-	62,542	(62,542)
Benefits Paid	(118,787)	(118,787)	-
Plan Administrative Expenses	-	(4,659)	4,659
Net Changes	88,180	13,867	74,313
Balances End of Year	\$ 2,589,670	\$ 2,272,151	\$ 317,519

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 7.75 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Total Pension Liability	\$ 2,872,585	\$ 2,589,670	2,349,843
Plan Net Fiduciary Position	2,272,151	2,272,151	2,272,151
Net Pension Liability	\$ 600,434	\$ 317,519	\$ 77,692

The Authority reported \$31,084 in pension expense for the year ended June 30, 2016. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual Results	\$ -	121,439.00
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	74,802	-
City contributions subsequent to the measurement date	56,810	-
Total	<u>\$ 131,612</u>	<u>\$ 121,439</u>

The \$56,810 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal 2017	(21,722)
Fiscal 2018	(21,722)
Fiscal 2019	(21,721)
Fiscal 2020	18,528

The OkMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OMRF, 525 Central Park Drive, Suite 320, Oklahoma Authority, Oklahoma 73105 or by calling 1.888.394.6673.

Bethany Warr-Acres Public Works Authority
Oklahoma Municipal Retirement Fund
Schedule of Changes in Net Pension Liability and Related Notes
As of and for the Year Ended June 30, 2016

Schedule of Changes in Net Pension Liability and Related Ratios	Last Fiscal Year
	2016
Total pension liability	
Service Cost	31,869
Interest	189,348
Change in Benefit Terms	-
Difference between expected and actual experience	(14,250)
Change in assumptions	-
Benefit payments, including refunds of member contributions	-
Net change in total pension liability	206,967
Total pension liability - beginning	243,206
Total pension liability - ending (a)	\$ 450,173
Plan fiduciary net position	
Contributions - employers	57,745
Contributions - member	17,026
Net investment income	62,542
Benefit payments, including refunds of member contributions	-
Administrative expense	(4,659)
Other	
Net change in plan fiduciary net position	132,654
Plan fiduciary net position - beginning	243,206
Plan fiduciary net position - ending (b)	375,860
Net pension liability - ending (a) - (b)	\$ 74,313
Plan fiduciary net position as a percentage of total pension liability	100.34%
Covered employee payroll	302,017
Net pension liability as a percentage of covered-employee payroll	24.61%

Notes to Schedule

Only the current fiscal year is presented because 10-year data is not yet available.

The accompanying notes are an integral part of these financial statements.

**Bethany Warr-Acres Public Works Authority
Oklahoma Municipal Retirement Fund
Schedule of Employer Contributions
As of and for the Year Ended June 30, 2016**

	2016
Actuarially determined contribution	57,745
Contributions in relation to the actuarially determined contribution	57,745
Contribution deficiency (excess)	-
Covered employee payroll	N/A
Contributions as a percentage of covered-employee payroll	N/A

Notes to Schedule:

1. Only the current fiscal year is presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2015
3. Actuarially determined contribution rate is calculated as of July 1, 2014
July 2015 through June 15 contributions were at a rate of 19.66%
4. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Unit Credit
 - Amortization method - Level Dollar Amount
 - Remaining amortization period - 25 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% - 130%
 - Salary increased - N/A
 - Investment rate of return - 7.5%

The accompanying notes are an integral part of these financial statements.

Casey J. Russell CPA, Inc.

Casey J. Russell, C.P.A., M.B.A.
Autumn L. Williams, C.P.A., Esq.
Member AICPA & OSCPA

2812 NW 57th Street, Suite 102
Oklahoma City, Oklahoma 73112

Phone: (405) 607-8743
Fax: (405) 607-8744
Email: caseycpa@hotmail.com

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

To the Board of Trustees
Bethany-Warr Acres
Public Works Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Bethany-Warr Acres Public Works Authority, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Bethany-Warr Acres Public Works Authority's basic financial statements, and have issued our report thereon dated February 2, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Bethany-Warr Acres 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bethany-Warr Acres Public Works Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bethany-Warr Acres 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bethany-Warr Acres Public Works Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Russell + Williams CPAs PC". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
February 2, 2017