

BETHANY-WARR ACRES
PUBLIC WORKS AUTHORITY

ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING INDEPENDENT
AUDITOR'S REPORTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**BETHANY - WARR ACRES PUBLIC WORKS
AUTHORITY**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING INDEPENDENT
AUDITOR'S REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

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Russell & Williams CPAs, PC

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

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, 2018, 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, 2018, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of net pension liability and schedule of contributions on pages 3-5 and 20-21 respectively 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 April 5, 2019, 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
April 5, 2019

Our discussion and analysis of the Bethany – Warr Acres Public Works Authority’s financial performance provides an overview of the Authority’s financial activities for the fiscal year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2018, the Authority’s total net position increased by \$429,478 or 6.6% from the prior year.
- For the fiscal year ended June 30, 2018, the Authority’s operating revenue increased by \$18,801 or 1.1% from the prior year.
- For the fiscal year ended June 30, 2018, the Authority’s operating expenses increased by \$113,557 or 9.0% from the prior year.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB).

The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows provide information about the activities of the Authority.

A FINANCIAL ANALYSIS OF THE AUTHORITY

One of the most important questions to ask about the Authority’s finances is, “Has the Authority’s net position increased or decreased as a result of the year’s activities?” Over time, increases or decreases in the Authority’s net position provide one indicator of the financial health of the Authority. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position include all of the Authority’s assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

Net Position and Changes in Net Position

The following is a brief summary of the Statement of Net Position for the year ended June 30, 2018 as compared to the prior year:

	Table 1 (in \$1,000's)	
	<u>2018</u>	2017 <u>restated</u>
Current assets	\$ 1,603	\$ 2,121
Capital assets, net	5,776	4,779
Total assets	<u>7,379</u>	<u>6,900</u>
Deferred outflows of resources:		
Deferred amounts related to pension	<u>114</u>	<u>243</u>
Current liabilities	95	35
Non-current liabilities	378	507
Total liabilities	<u>473</u>	<u>542</u>
Deferred inflows of resources:		
Deferred amounts related to pension	<u>71</u>	<u>81</u>
Investment in capital assets	5,776	4,423
Unrestricted	1,173	2,097
Total net position	<u>\$ 6,949</u>	<u>\$ 6,520</u>

The following is a brief summary of the Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2018 as compared to the prior year:

Table 2
(in \$1,000's)

	<u>2018</u>	<u>2017</u> <u>restated</u>
Operating revenues	\$ 1,785	\$ 1,767
Operating expenses	<u>1,376</u>	<u>1,263</u>
Operating income	409	504
Non-operating revenues	<u>20</u>	<u>10</u>
Change in net position	429	514
Net position - beginning of year, restated	<u>6,520</u>	<u>6,006</u>
Net position - end of year	<u>\$ 6,949</u>	<u>\$ 6,520</u>

Net position increased 6.6% from the prior year. Operating expenses increased by \$113,557 or 9.0%, while operating revenues increased by \$18,801 or 1.1%. Operating expenses increased due to an increase in utility costs and depreciation expense.

Current assets decreased by 24.4% due to a decrease in cash used for increased operating expenses and construction costs. Capital assets increased by 20.9% due to the completion of sewer project 10. Non-current liabilities decreased by 25.4% due to a decrease in the net pension liability.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the Authority reported \$5,775,527 of capital assets, net of accumulated depreciation. There were capital asset additions of \$1,275,743 related to sewer infrastructure.

Long-Term Debt

The Authority has no long-term debt outstanding other than accrued compensated absences. Long-term debt outstanding decreased by 22.2%. At June 30, 2018, the non-current portion of the accrued compensated absences was \$18,802.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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 Trust owns the Bluff Creek Regional Water Pollution Control Facility (the plan).

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 operations 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.

Located on the western edge of Oklahoma City, the cities of Bethany and Warr Acres are primarily residential communities. As the economy of the area expands, the two cities will benefit with an increase in population, retail sale and jobs.

The FY 2019 budget is similar to the 2018 budget, with no major changes anticipated.

CONTACTING THE AUTHORITY

This financial report is designed to provide our citizens, customers, taxpayers, bondholders and creditors with a general overview of the Authority's finances and to show accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the Authority's Executive Director's office by mail at 4301 N.W. 192nd Street, Edmond, OK 73102.

BETHANY – WARR ACRES PUBLIC WORKS AUTHORITY
STATEMENT OF NET POSITION
June 30, 2018

	Bethany Warr Acres Public Works Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,323,110
Cash and cash equivalents, restricted	120,172
Accounts receivable, net	159,560
Total current assets	1,602,842
Non-current assets:	
Capital assets:	
Other capital assets, net of accumulated depreciation	5,775,527
Total non-current assets	5,775,527
Total assets	7,378,369
DEFERRED OUTFLOW OF RESOURCES	
Deferred amounts related to pensions	113,695
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	74,653
Wages payable	16,093
Accrued compensated absences	2,089
Refundable deposits	1,738
Total current liabilities	94,573
Non-current liabilities:	
Accrued compensated absences	18,802
Refundable deposits	15,637
Net pension liability	343,167
Total non-current liabilities	377,606
Total liabilities	472,179
DEFERRED INFLOW OF RESOURCES	
Deferred amounts related to pensions	70,731
NET POSITION	
Net investment in capital assets	5,775,527
Unrestricted	1,173,627
Total net position	\$ 6,949,154

See accompanying notes to financial statements.

BETHANY – WARR ACRES PUBLIC WORKS AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the fiscal year ended June 30, 2018

	Bethany Warr Acres Public Works Authority
REVENUES	
Charges for services	\$ 1,785,313
Total operating revenues	<u>1,785,313</u>
OPERATING EXPENSES	
Personal services	437,745
Materials and supplies	132,142
Other services and charges	526,573
Depreciation expense	279,518
Total operating expenses	<u>1,375,978</u>
Operating income	<u>409,335</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	10,499
Miscellaneous	9,644
Total non-operating revenue	<u>20,143</u>
Change in net position	429,478
Total net position - beginning, restated	6,519,676
Total net position - ending	<u>\$ 6,949,154</u>

See accompanying notes to financial statements.

BETHANY – WARR ACRES PUBLIC WORKS AUTHORITY
STATEMENT OF CASH FLOWS
For the fiscal year ended June 30, 2018

	<u>Bethany Warr Acres Public Works Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,789,273
Payments to suppliers	(587,085)
Payments to employees	(449,381)
Receipts of customer meter deposits	620
Refunds of customer meter deposits	(360)
Net cash provided by operating activities	<u>753,067</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital assets purchased	(1,275,726)
Net cash provided by (used in) capital and related financing activities	<u>(1,275,726)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	101,521
Interest and dividends	10,499
Net cash provided by investing activities	<u>112,020</u>
Net increase (decrease) in cash and cash equivalents	(410,639)
Balances - beginning of year	<u>1,853,921</u>
Balances - end of year	<u>\$ 1,443,282</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 1,323,110
Restricted cash and cash equivalents - current	120,172
Total cash and cash equivalents, end of year	<u>\$ 1,443,282</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 409,335
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	279,518
Other nonoperating revenue	9,644
Change in assets and liabilities:	
Receivables, net	(5,684)
Deferred outflows related to pension	129,415
Accounts payable	71,630
Due to employees	1,090
Refundable deposits	260
Net pension liability	(135,661)
Accrued compensated absences	3,806
Deferred inflows related to pension	(10,286)
Net cash provided by operating activities	<u>\$ 753,067</u>

See accompanying notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Bethany – Warr Acres Public Works Authority (BWAPWA or the Authority) complies with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL 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.

1.B. BASIS OF ACCOUNTING AND PRESENTATION

The Authority utilizes the accrual basis of accounting and economic resources measurement focus and the statements are presented as those required for a special purpose government entity engaged solely in business-type activities. Under the accrual basis of accounting revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

1.C. BUDGETARY ACCOUNTING AND CONTROL

In accordance with Title 60 of the Oklahoma State Statutes, the Authority is required to prepare an annual budget and submit a copy to the Cities as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control.

1.D. ASSETS, LIABILITIES, DEFERRED INFLOWS, DEFERRED OUTFLOWS AND NET POSITION

Cash and Cash Equivalents and Investments

For the purposes of the statement of net position and statement of cash flows, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

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

Accounts Receivable

Accounts receivable of the Authority consist of utility customer receivables for sewer services.

Capital Assets

All capital assets, property, plant and equipment, are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an expense in the operating statement, with accumulated depreciation reflected in the net position statement. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The estimated useful lives of depreciable assets range from:

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

Restricted Assets

Restricted assets, consisting of 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. In additions, assets are restricted for the repayment of customer utility deposits.

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources that are attributable to the accounting for pensions, as described in 2.G., are included in the financial statements.

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 Position

Net position is generally displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (if any) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation. The BWAPWA currently has no restricted net position.
- c. *Unrestricted net position* - All other net position that does not meet the definition of "restricted" or "Net investment in capital assets."

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

NOTE 2. DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

The following notes present detailed information to support the amounts reported in the financial statements for its various assets, liabilities, net position, revenues and expenses.

2.A. CASH AND INVESTMENTS

The Authority held the following deposits and investments at June 30, 2018:

	Carrying Value	Credit Rating
Deposits:		
Demand deposits	\$ 1,339,985	n/a
Money Markets	102,797	aa
Cash on hand	500	n/a
Total deposits	\$ 1,443,282	
 Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 1,323,110	
Restricted cash and cash equivalents	120,172	
	\$ 1,443,282	

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the Authority holds deposits that are uninsured and uncollateralized, collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority’s name, or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Authority holds investments that are uninsured and unregistered, or with securities held by the counterparty or by its trust department or agent but not in the Authority’s name.

The Authority’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value. The investment policy also limits acceptable collateral to U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Authority must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2018, the Authority’s deposits were fully insured.

Investment Credit Risk – The Authority’s investment policy limits investments to those allowed in state law applicable to public trusts. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority has a formal policy limiting investments to those allowed by state statutes. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

At June 30, 2018, the Authority held no investments in rated debt securities.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority’s investment policy, does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At June 30, 2018, the Authority did not hold any investments.

Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Authority (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The Authority places no limit on the amount it may invest in any one issuer.

At June 30, 2018, the Authority had no concentration of credit risk as defined above.

2.B. ACCOUNTS RECEIVABLE

Receivable 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	\$	146,946
Oklahoma City Customers		13,707
Penalties		784
Other		3,392
Gross Receivables		164,829
Allowance for Doubtful Accounts		(5,269)
Net Receivables	\$	159,560

2.C. RESTRICTED ASSETS

The amounts reported as restricted assets on the balance sheet are comprised of cash held for customer deposits and amounts held for construction projects.

The restricted assets as of June 30, 2018 were as follows:

<u>Type of Restricted Assets</u>	<u>Cash & Cash Equivalents</u>
Refundable deposits	\$ 17,375
Construction account	102,797
Total	\$ 120,172

2.D. CAPITAL ASSETS

Changes in capital assets for the fiscal year ended June 30, 2018 were as follows:

BETHANY-WARR ACRES PUBLIC WORKS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

	Restated, Balance at <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance at <u>June 30, 2018</u>
<i>Non depreciable:</i>				
Land	-	-	-	-
CIP	\$ 1,188,360	\$ 1,275,742	\$ (2,464,102)	\$ -
Total Non-Depreciable Assets	<u>1,188,360</u>	<u>1,275,742</u>	<u>(2,464,102)</u>	<u>-</u>
<i>Depreciable Assets:</i>				
Building & Improvements	13,130,147	-	-	13,130,147
Infrastructure	4,680,710	2,464,741	-	7,145,451
Equipment	619,882	-	-	619,882
Total Depreciable Assets	<u>18,430,739</u>	<u>2,464,741</u>	<u>-</u>	<u>20,895,480</u>
<i>Accumulated Depreciation:</i>				
Building & Improvements	12,984,959	72,119	-	13,057,078
Equipment	616,721	2,721	-	619,442
Infrastructure	1,238,756	204,677	-	1,443,433
Total Accumulated Depreciation	<u>14,840,436</u>	<u>279,517</u>	<u>-</u>	<u>15,119,953</u>
Net Assets	<u>\$ 4,778,663</u>	<u>\$ 3,460,966</u>	<u>\$ (2,464,102)</u>	<u>\$ 5,775,527</u>

2.E. LONG-TERM DEBT

As of June 30, 2018, the long-term debt payable from Authority resources consisted of accrued compensated absences and refundable deposits.

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	Balance at <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance at <u>June 30, 2018</u>	Current <u>Portion</u>
Accrued Compensated Absences	\$ 17,085	\$ 3,806	\$ -	\$ 20,891	\$ 2,089
Refundable deposits	27,828	620	11,073	17,375	1,738
	<u>\$ 44,913</u>	<u>\$ 4,426</u>	<u>\$ 11,073</u>	<u>\$ 38,266</u>	<u>\$ 3,827</u>

2.F. NET POSITION

Beginning net position was restated due to a change in capital assets.

Net position, as previously reported	\$ 6,163,726
Capital asset correction	355,950
Net position, restated	<u>\$ 6,519,676</u>

2.G. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Oklahoma Municipal Retirement Plan (OkMRF) – Defined Benefit Plan

A. 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 in accordance with O.S. Title 11, Section 48-101-102.

B. 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.

C. Eligibility Factors and Benefit Provisions

<u>Provision</u>	<u>As of 07/01/17</u> <u>OkMRF Plan</u>
a. Eligible to Participate	Full-time employees
b. Period Required to Vest	7 years of vesting service
c. Eligibility for Distribution	Normal retirement at age 65 with 7 years of service; or Age 55 with 80 points and 7 years of service Early retirement at age 55 with 7 years of service Disability retirement upon disability with 7 years of service Death benefit with 7 years of service for married employees
d. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
e. Benefit Determination Methods:	
Normal Retirement	3.0% of final average salary multiplied by credited years of service
Early Retirement	Actuarially reduced benefit based upon age, final average salary, and years of service at termination
Disability Retirement	Same as normal retirement
Death Benefit	50% of employees accrued benefit, but terminates upon spouse re-marriage
Prior to 10 Years Service	No benefits
f. Benefit Authorization	Benefits are established and amended by Authority’s Board adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102
g. Form of Benefit Payments	Normal form is a 10 year certain monthly lifetime annuity

D. Employees Covered by Benefit Terms

Active Employees	6
Deferred Vested Former Employees	2
Retirees or Retiree Beneficiaries	<u>6</u>
Total	<u>14</u>

E. Contribution Requirements

The Board 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 17.85% of covered payroll as of July 1, 2017. For the year ended June 30, 2018, the Authority recognized \$54,185 of employer contributions to the plan based on covered payroll of \$303,762. Employees contribute 6.0% to the plan in accordance with the plan provisions adopted by the Authority. Employee contributions for fiscal 2018 were \$18,226.

F. Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2017
a. Actuarial Cost Method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.5%
c. Projected Salary Increase	Varies between 7.50% and 4.50% based on age
d. Post Retirement Cost-of-Living Increase	None
e. Inflation Rate	2.75%
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:	225
Year 2:	140
Year 3:	100
Year 4:	70
Year 5:	40

j. Date of last experience study September 2012 for fiscal years 2007
thru 2011

G. Discount Rate –

The discount rate used to value benefits was the long-term expected rate of return on plan investments of 7.5% 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 (2.75%). 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, 2017 are summarized in the following table:

	Target Allocation	Real Return	Weighted Return
Large cap stocks S&P 500	25%	5.80%	1.45%
Small/mid cap stocks Russell 2500	10%	6.40%	0.64%
Long/short equity MSCI ACWI	10%	5.00%	0.50%
International stocks MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds Barclay's Capital Aggregate	30%	2.30%	0.69%
Real estate NCREIF	5%	4.60%	0.23%
TOTAL	100%		
Average Real Return			4.75%
Inflation			2.75%
Long-term expected return			7.50%

H. Changes in Net Pension Liability –

The total pension liability was determined based on an actuarial valuation performed as of July 1, 2017 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, 2017 and the Authority’s report ending date of June 30, 2018, 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 (a) - (b)
Balances Beginning of Year	\$ 2,722,058	\$ 2,243,231	\$ 478,827
Changes for the Year:			
Service cost	35,239	-	35,239
Interest expense	206,334	-	206,334
Experience losses (gains) -	(94,706)	-	(94,706)
Changes of assumptions	57,730	-	57,730
Contributions--Authority	-	52,752	(52,752)
Contributions--members	-	18,076	(18,076)
Net investment income	-	274,243	(274,243)
Benefits paid	(121,640)	(121,640)	-
Plan administrative expenses	-	(4,813)	4,813
Net Changes	<u>82,957</u>	<u>218,618</u>	<u>(135,661)</u>
Balances End of Year	<u>\$ 2,805,015</u>	<u>\$ 2,461,849</u>	<u>\$ 343,166</u>

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 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employers' net pension liability	\$646,953	\$343,166	\$86,327

The Authority reported \$37,653 in pension expense for the year ended June 30, 2018. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

BETHANY-WARR ACRES PUBLIC WORKS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,404	\$ 69,438
Changes of assumptions	40,076	-
Net difference between projected and actual earnings on pension plan investments	8,030	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	-
Authority contributions during measurement date	-	1,293
Authority contributions subsequent to the measurement date	54,185	-
Total	\$ 113,695	\$ 70,731

The \$54,185 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, 2019. 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:

Year ended June 30:

2019	\$ (18,923)
2020	21,321
2021	6,882
2021	(20,501)
	\$ (11,221)

NOTE 3. OTHER NOTES

3.A. 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; employee's health and life; and natural disasters. The Authority has commercial insurance coverage for all risks of loss, including workers' compensation, torts, 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.

3.B POST EMPLOYMENT BENEFITS

The Authority offers a health insurances 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.

3.C. 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.

3.D. 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:

City of Bethany	\$	1,016,863	57%
City of Warr Acres		630,098	35%
City of Oklahoma City		137,852	8%
	\$	<u>1,784,813</u>	

BETHANY-WARR ACRES PUBLIC WORKS AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2018

Required Supplementary Information
Oklahoma Municipal Retirement Fund

Schedule of Changes in Net Pension Liability and Related Ratios

Last Fiscal Year

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total pension liability				
Service cost	\$ 27,834	\$ 31,869	\$ 32,931	\$ 35,239
Interest	184,300	189,348	196,182	206,334
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	-	-	(94,706)
Changes of assumptions	-	(14,250)	22,062	57,730
Benefit payments, including refunds of member contributions	(119,522)	(118,787)	(118,787)	(121,640)
Net change in total pension liability	<u>92,612</u>	<u>88,180</u>	<u>132,388</u>	<u>82,957</u>
Total pension liability - beginning	<u>2,408,878</u>	<u>2,501,490</u>	<u>2,589,670</u>	<u>2,722,058</u>
Total pension liability - ending (a)	<u>\$ 2,501,490</u>	<u>\$ 2,589,670</u>	<u>\$ 2,722,058</u>	<u>\$ 2,805,015</u>
Plan fiduciary net position				
Contributions - employer	\$ 70,225	\$ 57,745	\$ 56,810	\$ 52,752
Contributions - member	16,854	17,026	18,121	18,076
Net investment income	322,312	62,542	19,402	274,243
Benefit payments, including refunds of member contributions	(119,522)	(118,787)	(118,787)	(121,640)
Administrative expense	(4,765)	(4,659)	(4,465)	(4,813)
Other	-	-	-	-
Net change in plan fiduciary net position	<u>285,104</u>	<u>13,867</u>	<u>(28,919)</u>	<u>218,618</u>
Plan fiduciary net position - beginning	<u>1,973,180</u>	<u>2,258,284</u>	<u>2,272,151</u>	<u>2,243,231</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,258,284</u>	<u>\$ 2,272,151</u>	<u>\$ 2,243,232</u>	<u>\$ 2,461,849</u>
Net pension liability - ending (a) - (b)	<u>\$ 243,206</u>	<u>\$ 317,519</u>	<u>\$ 478,826</u>	<u>\$ 343,166</u>
Plan fiduciary net position as a percentage of the total pension liability	90.28%	87.74%	82.41%	87.77%
Covered employee payroll	\$ 275,762	\$ 283,762	\$ 302,018	\$ 271,532
Net pension liability as a percentage of covered-employee payroll	88.19%	111.90%	158.54%	126.38%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the previous four fiscal years are presented because 10-year data is not yet available.

BETHANY-WARR ACRES PUBLIC WORKS AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2018

Required Supplementary Information
Oklahoma Municipal Retirement Fund

Schedule of Employer Contributions	Last Fiscal Year			
	2015	2016	2017	2018
Actuarially determined contribution	\$ 55,955	\$ 57,745	\$ 56,810	\$ 54,185
Contributions in relation to the actuarially determined contribution	55,955	57,745	56,810	54,185
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 275,762	\$ 283,762	\$ 302,018	\$ 303,762
Contributions as a percentage of covered-employee payroll	20.29%	20.35%	18.81%	17.84%

Notes to Schedule:

1. Only four fiscal years are presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2017
3. Actuarially determined contribution rate is calculated as of July 1, 2017
 July 2017 through June 2018 contributions were at a rate of 17.85%.
4. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Entry age normal
 - Amortization method - Level percent of payroll, closed
 - Remaining amortization period - 24 years
 - Asset valuation method - Actuarial:
 - Smoothing period - 4 years
 - Recognition method - Non-asymptotic
 - Corridor - 70% - 130%
 - Salary increases -n/a
 - Investment rate of return - 7.50%

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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, 2018, 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 April 5, 2019.

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.

Handwritten signature in cursive script that reads "Russell & Williams CPAs PC".

Oklahoma City, Oklahoma
April 5, 2019