

AUDIT REPORT

GRAND LAKE PUBLIC WORKS AUTHORITY

JUNE 30, 2018

KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE  
MUSKOGEE, OKLAHOMA 74401  
PHONE (918) 684-1040  
FAX (918) 684-1041

WEB: [KERSHAWCPA.COM](http://KERSHAWCPA.COM)  
E-MAIL: [RK@KERSHAWCPA.COM](mailto:RK@KERSHAWCPA.COM)

607 NORTH 1<sup>ST</sup> STREET  
PONCA CITY, OKLAHOMA 74601  
PHONE (580) 762-1040  
FAX (580) 762-1047

GRAND LAKE PUBLIC WORKS AUTHORITY  
JUNE 30, 2018

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GRAND LAKE PUBLIC WORKS AUTHORITY  
JUNE 30, 2018

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
DICK BOYD	CHAIRMAN	APRIL 2023
DENNIS MCCULLA	VICE-CHAIRMAN	APRIL 2020
STEVE GARRETT	SECRETARY/TREASURER	APRIL 2023
HOMER KEMPER	MEMBER	APRIL 2019
ROSS GRAY	MEMBER	APRIL 2021
PEGGY HOWARD	MEMBER	APRIL 2020
DOUG SMITH	MEMBER	APRIL 2021

Unaudited

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Grand Lake Public Works Authority

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the Grand Lake Public Works Authority as of and for the fiscal year ended June 30, 2018, as listed in the table of contents and the related notes to the financial statements.

### *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 the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

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

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

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Grand Lake 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*

Management has omitted the Management's Discussion and Analysis 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 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary and Other Information*

The introductory section listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Authority. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2021, on our consideration of the Grand Lake Public Works Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the

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results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Grand Lake Public Works Authority's internal control over financial reporting and compliance.

*Kershaw CPA & Associates, P.C.*

Kershaw CPA & Associates, PC  
Muskogee, Oklahoma

June 16, 2021

## EXHIBIT A

**GRAND LAKE PUBLIC WORKS AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	2018	Memo Only 2017
<b><u>ASSETS</u></b>		
<b><u>Current Assets:</u></b>		
Cash and cash equivalents	\$ 143,692	\$ 194,297
Restricted cash and cash equivalents	18,229	5,008
Accounts receivable	164,627	265,618
Prepaid expense	21,530	21,678
<b>Total Current Assets</b>	<b>348,078</b>	<b>486,601</b>
<b><u>Noncurrent Assets:</u></b>		
Restricted Debt Service & Reserve Funds	384,375	412,346
Land	200,000	200,000
Other Capital Assets, Net of Accumulated Depreciation	13,536,439	13,363,620
<b>Total Noncurrent Assets</b>	<b>14,120,814</b>	<b>13,975,966</b>
<b>TOTAL ASSETS</b>	<b>\$ 14,468,891</b>	<b>\$ 14,462,567</b>
<b><u>LIABILITIES &amp; NET POSITION</u></b>		
<b><u>Current Liabilities:</u></b>		
Accounts Payable	\$ 108,380	\$ 117,794
Accrued interest	69,385	71,103
Current Portion of Long-Term Debt	326,546	325,463
<b>Total Current Liabilities</b>	<b>504,311</b>	<b>514,360</b>
<b><u>Long-Term Liabilities:</u></b>		
Notes Payable - Long-Term Portion	8,457,389	8,384,380
<b>Total Long-Term Debt</b>	<b>8,457,389</b>	<b>8,384,380</b>
<b>TOTAL LIABILITIES</b>	<b>8,961,700</b>	<b>8,898,740</b>
<b><u>NET POSITION:</u></b>		
Net investment in capital assets	4,952,504	4,853,776
Restricted for debt service	402,604	417,355
Unrestricted	152,083	292,695
<b>TOTAL NET POSITION</b>	<b>5,507,191</b>	<b>5,563,826</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 14,468,891</b>	<b>\$ 14,462,567</b>

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

## EXHIBIT B

**GRAND LAKE PUBLIC WORKS AUTHORITY  
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2018**

	2018	Memo Only 2017
<b><u>Operating Revenues:</u></b>		
Water Revenue	\$ 1,096,511	\$ 1,046,861
Sewer Revenue	729,622	701,807
Miscellaneous revenue - Water	63,222	62,504
Miscellaneous revenue - Sewer	31,959	70,850
<b>Total Operating Revenues</b>	<b>1,921,314</b>	<b>1,882,021</b>
<b><u>Operating Expenses:</u></b>		
Contract personnel expense	336,007	327,551
Utilities	173,065	156,584
Depreciation Expense	703,350	706,654
Management fees	118,541	110,462
Water treatment costs	32,313	38,289
Uncollected Accounts	-	1,025
Miscellaneous expense	23,973	15,634
Materials and supplies	7,194	5,858
Property and liability insurance	25,189	25,754
Professional fees	12,869	15,670
Equipment costs and small tools	78,645	61,237
Repairs and maintenance	38,454	39,967
Vehicle expense	16,100	12,466
<b>Total Operating Expenses</b>	<b>1,565,700</b>	<b>1,517,151</b>
<b>Net Operating Income (Loss)</b>	<b>355,614</b>	<b>364,871</b>
<b><u>Non-operating Income (Expense):</u></b>		
Interest Income	1,884	26
Interest Expense	(319,134)	(264,791)
Debt Issuance Costs	(95,000)	-
Grant Income	-	-
<b>Total Non-operating Income (Expense)</b>	<b>(412,249)</b>	<b>(264,764)</b>
<b>Change in Net Position</b>	<b>(56,635)</b>	<b>100,106</b>
<b>Total Net Position, Beginning of Year</b>	<b>5,563,826</b>	<b>5,463,720</b>
<b>Total Net Position, Prior Year Adjustment</b>	<b>-</b>	<b>-</b>
<b>Total Net Position, End of Year</b>	<b>\$ 5,507,191</b>	<b>\$ 5,563,826</b>

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



## EXHIBIT C

**GRAND LAKE PUBLIC WORKS AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2018**

	<u>2018</u>	<u>Memo Only 2017</u>
<b><u>Cash Flows from Operating Activities:</u></b>		
Cash Receipts from Customers	\$ 2,022,305	\$ 1,772,380
Payments to Suppliers for Goods & Services	(871,615)	(822,496)
Net Cash Provided (Used) by Operating Activities	<u>1,150,690</u>	<u>949,885</u>
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>		
Additions to Capital Assets	(876,169)	(299,573)
Proceeds from Sale of Capital Assets	-	-
Debt Proceeds	1,941,479	925,183
Debt Issuance Costs	(95,000)	-
Grant Income (Loan Forgiveness )	-	-
(Increase)Decrease Restricted Accounts	14,751	(3,049)
Principal paid on long-term debt	(1,861,645)	(1,290,373)
Interest paid on Debt	(326,595)	(273,881)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(1,203,179)</u>	<u>(941,693)</u>
<b><u>Cash Flows from Investing Activities:</u></b>		
Interest and dividends	1,884	26
Net Cash Provided (Used) by Investing Activities	<u>1,884</u>	<u>26</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(50,605)	8,218
Cash & Cash Equivalents, Beginning of Year	194,297	186,079
Cash & Cash Equivalents, Prior Year Adjustment	-	-
Cash & Cash Equivalents, End of Year	<u>\$ 143,692</u>	<u>\$ 194,297</u>
<b><u>Reconciliation of operating income (loss) to net cash provided operating activities:</u></b>		
Operating Income (Loss)	\$ 355,614	\$ 364,871
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation & Amortization	703,350	706,654
(Increase)Decrease in Accounts Receivable	100,991	(109,641)
(Increase)Decrease in Prepaid Expense	149	130
Increase(Decrease) in Accounts Payable	(9,414)	(12,129)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,150,690</u>	<u>\$ 949,885</u>

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

GRAND LAKE PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies employed by Grand Lake Public Works Authority (the Authority) are consistent with accounting principles generally accepted in the United States of America. Significant policies are described below.

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The statement established a new reporting model for governments that is substantially different from prior reporting standards. The Authority adopted the new reporting model June 30, 2004, which includes the following segments:

*Management's Discussion & Analysis* - provides introductory information on basic financial statements and an analytical overview of the Authority's financial activities. For the year ended June 30, 2018, management has not presented the Management's Discussion and Analysis as required by the Governmental Accounting Standards Board (GASB) and GASB has determined it necessary to supplement, although not required to be part of, the basic financial statements.

*Fund financial statements* - provide information about the Authority's proprietary fund. The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.

A. Purpose:

The Grand Lake Public Works Authority is a public trust as defined under Oklahoma Statutes. The Authority was established to furnish and supply utility services to the owners and occupants of property within the Authority's designated service area, which is near Grand Lake in Delaware County, Oklahoma.

B. Basis of Accounting:

The financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenditures are recorded when the liability is incurred.

GRAND LAKE PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

C. Income Taxes:

The Authority was established under Title 60 of the Oklahoma Statutes as a public trust. The management of the Authority believes that it is exempt from Federal income tax under IRC Revenue Procedure 95-48, Section 4.03. This revenue procedure states that income to a "governmental unit" or "governmental affiliate" is exempt from federal income tax and need not file a return.

D. Estimates:

The preparation of financial statements in conformity with accounting principles generally in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash and Cash Equivalents:

Cash and cash equivalents include amounts in demand deposits, money market funds, and certificates of deposit with and original maturity of three months or less.

F. Property, Plant and Equipment:

Property and equipment, consisting of a water distribution and sewer systems, are stated at cost and are depreciated over the estimated useful life of such assets. Contributed property is recorded at fair market value at the time of contribution. Depreciation is computed using the straight-line method.

G. Accounts Receivable:

The direct write-off method is used to account for uncollectible receivables. The balances at June 30, 2018 and 2017 are considered fully collectible.

H. Capitalization Policy:

Purchases of capital items in excess of \$300.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

The useful life will be categorized as follows:

1. 40 years - Meter sets and related equipment, road crossings, pipe in the ground that is not a repair or ordinary maintenance, and any new extensions.

GRAND LAKE PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

2. 15 years - Pump stations, buildings, tank painting and other structures with an approximated life of fifteen years.
3. 7 years - Motors, pumps, panel boxes, and other related items with a useful life that approximated seven years.

I. Equity Classification:

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

1. Net investment in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted—Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted—Net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

J. Revenues, Expenditures & Expenses

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

K. Water Rights

Members purchase water rights for the right to obtain services from the Water Authority. Fees paid for water rights are considered donations to the Water Authority and are nonrefundable. Water rights sold are reflected as non-operating income in the period the water services are established.

L. Memorandum Only

The “Memorandum Only” captions above the total columns mean that totals are presented for overview information purposes only.

GRAND LAKE PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the Authority is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the Authority's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

NOTE 3 - CUSTODIAL CREDIT RISK RELATED TO DEPOSITS

Custodial Credit Risk

At June 30, 2018, the Authority held deposits of approximately \$143,692 at financial institutions, plus \$384,375 in restricted deposits. The Authority's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Investment Interest Rate Risk

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

Investment Credit Risk

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

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school 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.

GRAND LAKE PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 4 - CAPITAL ASSETS

Capital asset activity, for the fiscal year ended June 30, 2018, was as follows:

	6/30/17 Balance	Additions	Deductions	6/30/18 Balance
Capital assets not being depreciated:				
Land	\$ 200,000	\$ -	\$ -	\$ 200,000
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	200,000	-	-	200,000
Other capital assets:				
Distribution System	18,835,050	876,169	-	19,711,219
Equipment	342,921	-	-	342,921
Total other capital assets at historical cost	19,177,971	876,169	-	20,054,140
Less accumulated depreciation for:				
Distribution System	(5,510,988)	(689,821)	-	(6,200,809)
Equipment	(303,363)	(13,529)	-	(316,892)
Total accumulated depreciation	(5,814,351)	(703,350)	-	(6,517,701)
Other capital assets, net	13,363,620	172,819	-	13,536,439
Total Capital Assets, net	\$ 13,563,620	\$ 172,819	\$ -	\$ 13,736,439

NOTE 5 - RESTRICTED CASH ACCOUNTS

Restricted cash is cash and cash equivalents on deposit in various accounts at a bank or with a Trustee as required by the bond indentures and note agreements. The amounts available to be used to settle current liabilities are classified as current assets. The amounts restricted to non-current use are classified as Other Assets.

NOTE 6 - LONG-TERM DEBT

Promissory Notes Payable:

On June 25, 2003, the Authority issued promissory note ORF-02-0020-CW to the Oklahoma Water Resources Board in the amount of \$800,000 to be advanced to pay construction costs related to the Distribution System project. Payments of principal and interest will be calculated on the amount advanced rather than the approved amount of the promissory note. The term of loan is twenty years at 2.095%, plus ½% of the outstanding balance for administrative fees. The balance payable on the note at June 30, 2018 is \$231,684.67.

GRAND LAKE PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

On November 1, 2009, the Authority issued promissory note ORF-09-0004-CW to the Oklahoma Water Resources Board in the amount of \$992,500 to be advanced to pay construction costs related to the Distribution System project. Payments of principal and interest will be calculated on the amount advanced rather than the approved amount of the promissory note. The term of loan is twenty years at 2.25%, plus  $\frac{1}{2}\%$  of the outstanding balance for administrative fees. As of June 30, 2011, the full \$992,500 had been advanced on this loan. \$306,483.90 was paid on the loan by a Cap Grant for State Revolving Fund. The balance payable on the note at June 30, 2018 is \$467,177.84.

On November 24, 2009, the Authority issued bonds as promissory note FAP-09-0001-L to the Oklahoma Water Resources Board in the amount of \$1,990,000.00. Proceeds of the note were used to (i) refinance the Series 1998 Note, the Series 2001 Note, the Series 2002 Note and the \$500,000.00 promissory note to the Bank of Oklahoma, NA, (ii) acquire land for future well sites, (iii) make the required deposit to the Sinking Fund Reserve Fund required under the Bond Indenture for the issuance of additional parity indebtedness and (iv) pay costs of issuance of the Series 2009 Note. The note is secured by a mortgage of real property and a pledge of revenues. Principal is payable semi-annually to the Water Resources Board through September 15, 2031 with interest at a variable rate. Principal maturities vary over the term of the loan. The balance payable on the note at June 30, 2018 is \$0. This note was refinanced with the issuance of FAP-18-003-L.

On July 17, 2012, the Authority issued series 2012C Bonds as note FAP-12-0016-L to the Oklahoma Water Resources Board in the amount of \$1,000,000.00. The Bonds were sold in 3-ways: 10-year-Serial, Term #1, and Term #2. Some were sold at a discount (\$14,605.65) and some were sold at a premium (\$11,354.55), with a net effect of a discount of \$3,251.10. Proceeds of the note were to construct water plant, drill wells and install lines. Payments are payable semi-annually to the Water Resources Board through September 15, 2042 with interest at a variable rate. Principal maturities vary over the term of the loan. The balance payable on the note at June 30, 2018 is \$885,000.00. An arrangement has been made with a trust company to collect and hold monthly installments for semi-annual payments. A reserve account (see Note 5) is required to be maintained for future debt service.

On July 17, 2012, the Authority issued promissory note ORF-11-0003-DW to the Oklahoma Water Resources Board in the amount of \$5,500,000 to be advanced to pay construction costs related to water system improvements. Payments of principal and interest will be calculated on the amount advanced rather than the approved amount of the promissory note. The term of the loan is thirty years at 2.50%, plus  $\frac{1}{2}\%$  of the outstanding balance for administrative fees with a maturity date of September 15, 2043. \$500,000.00 was paid on the loan by a Capitalization Grant for Drinking Water State Revolving Funds. The balance payable on the note at June 30, 2018 is \$4,468,086.58.

On July 1, 2016, the Authority issued promissory note 0550106787 to Bancfirst in the amount of \$100,000.00 to fund leak detection and repair of water line.

GRAND LAKE PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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The term of the loan is five years at Prime plus 1.00% with a maturity date of July 1, 2021. The balance payable on the note at June 30, 2018 is \$65,103.18.

On June 20, 2017, the Authority issued promissory note ORF-17-0018-CW to the Oklahoma Water Resources Board in the amount of \$1,825,182.60 to be advanced to pay construction costs related to water system improvements and to payoff loan ORF-99-0022-CW. Payments of principal and interest will be calculated on the amount advanced rather than the approved amount of the promissory note. The term of the loan is twenty years at 1.66%, plus  $\frac{1}{2}\%$  of the outstanding balance for administrative fees with a maturity date of March 15, 2037. The balance payable on the note at June 30, 2018 is \$832,868.17.

On November 1, 2017, the Authority entered into a Promissory Note, Series 2017B, FAP-18-003-L with the Oklahoma Water Resources Board (OWRB). The security for the Note includes a pledge and assignment of revenues derived by the Authority from its operation of the water and sanitary sewer systems, pursuant to the terms of the Loan Agreement. The loan is for a principal amount of \$1,390,000.00, plus a premium of \$122,862.35, less OWRB transactions costs. The proceeds of the note were used to refinance FAP-09-0001-L dated November 24, 2009. The premium is being amortized over the term of the loan. The loan is for a term of 14 years maturing on September 15, 2031 with varying interest rates between 2.145% and 4.145% until maturity.

On February 1, 2018, the Authority issued Series 2018 Drinking Water SRF Promissory Note ORF-17-0007-DW to the Oklahoma Water Resources Board (OWRB) in the amount of \$700,000.00 to fund a water project. Payments of principal and interest will be calculated on the amount advanced rather than the approved amount of the promissory note. Interest for the note is 2.340%, plus  $\frac{1}{2}\%$  of the outstanding balance for administrative fees. The balance payable on the note at June 30, 2018 is \$231,684.67

Changes in Long-Term Debt

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



GRAND LAKE PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

Acct	Description	Balance at June 30, 2017	Additions	Deductions	Balance at June 30, 2018
2600	OWRB ORF-17-0007-DW	\$ -	\$ 329,671	\$ -	\$ 329,671
2601	BANCFIRST LOAN	83,407	-	(18,303)	65,103
2605	OWRB ORF-09-0004-CW	498,033	-	(30,855)	467,178
2606	OWRB FAP-09-0001-L	1,530,000	-	(1,530,000)	-
2607	OWRB FAP-18-0003-L	-	1,390,000	-	1,390,000
2608	OWRB ORF-02-0020-CW	274,493	-	(42,809)	231,685
2609	OWRB FAP-12-0016-L	910,000	-	(25,000)	885,000
2610	OWRB ORF-11-003-DW	4,591,505	-	(123,418)	4,468,087
2604	OWRB ORF-17-0018-CW	825,183	98,945	(91,259)	832,868
	Total Long-Term Debt	8,712,620	<u>\$ 1,818,616</u>	<u>\$ (1,861,645)</u>	\$ 8,669,592
	Less: Unamortized Discount on Bonds Payable	(2,777)	-	108	(2,669)
	Plus: Unamortized Premium on Bonds Payable	-	122,862	(5,851)	117,012
	Less: Current Maturities of Long-Term Debt	(325,463)			(326,546)
	Net Long-Term Debt	<u>\$ 8,384,380</u>			<u>\$ 8,457,389</u>

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2018, are as follows:

<u>Bancfirst Loan</u>				
Year Ending June 30,	Principal	Interest	Total	
2019	\$ 19,314	\$ 3,094	\$ 22,408	
2020	20,404	2,005	22,408	
2021	21,554	854	22,408	
2022	3,831	14	3,845	
2023	-	-	-	
Total	<u>\$ 65,103</u>	<u>\$ 5,967</u>	<u>\$ 71,070</u>	

<u>OWRB ORF-09-0004-CW</u>				
Year Ending June 30,	Principal	Interest	Admin Fee	Total
2019	\$ 31,721	\$ 10,480	\$ 2,329	\$ 42,201
2020	32,580	9,777	2,173	42,357
2021	33,527	9,003	2,001	42,529
2022	34,468	8,233	1,829	42,701
2023	35,436	7,441	1,654	42,876
2024-2028	192,638	24,555	5,457	217,193
2029-2031	106,809	3,695	821	110,504
Total	<u>\$ 467,178</u>	<u>\$ 73,184</u>	<u>\$ 16,263</u>	<u>\$ 540,361</u>

GRAND LAKE PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

<u>OWRB FAP-18-0003-L</u>			
Year Ending June 30,	Principal	Interest	Total
2019	\$ 80,000	\$ 49,057	\$ 129,057
2020	100,000	46,226	146,226
2021	115,000	42,271	157,271
2022	125,000	37,296	162,296
2023	135,000	33,258	168,258
2024-2028	425,000	125,591	550,591
2029-2032	410,000	33,782	443,782
Total	<u>\$ 1,390,000</u>	<u>\$ 367,481</u>	<u>\$ 1,757,481</u>

<u>OWRB ORF-02-0020-CW</u>				
Year Ending June 30,	Principal	Interest	Admin Fee	Total
2019	\$ 43,945	\$ 4,703	\$ 1,120	48,647
2020	45,099	3,771	898	48,869
2021	46,307	2,794	665	49,102
2022	47,536	1,802	429	49,338
2023	48,797	783	186	49,581
Total	<u>\$ 231,685</u>	<u>\$ 13,853</u>	<u>\$ 3,298</u>	<u>\$ 245,537</u>

<u>OWRB FAP-12-0016-L</u>			
Year Ending June 30,	Principal	Interest	Total
2019	\$ 25,000	\$ 32,952	\$ 57,952
2020	25,000	32,227	57,227
2021	25,000	31,377	56,377
2022	25,000	30,527	55,527
2023	25,000	29,756	54,756
2024-2028	145,000	134,177	279,177
2029-2033	170,000	105,434	275,434
2034-2038	205,000	69,330	274,330
2039-2042	240,000	24,754	264,754
Total	<u>\$ 885,000</u>	<u>\$ 490,536</u>	<u>\$ 1,375,536</u>

GRAND LAKE PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

<u>QWRB ORF-11-0003-DW</u>				
Year Ending June 30,	Principal	Interest	Admin Fee	Total
2019	\$ 126,567	\$ 89,975	\$ 22,494	\$ 239,035
2020	129,498	87,630	21,908	239,035
2021	133,098	84,750	21,187	239,035
2022	136,493	82,034	20,508	239,035
2023	139,975	79,248	19,812	239,035
2028-2028	754,784	352,315	88,079	1,195,177
2029-2033	856,415	271,010	67,752	1,195,177
2034-2038	971,407	179,016	44,754	1,195,177
2039-2043	1,101,841	74,669	18,667	1,195,177
2044	118,009	1,206	302	119,517
Total	<u>\$ 4,468,087</u>	<u>\$ 1,301,853</u>	<u>\$ 325,463</u>	<u>\$ 6,095,403</u>

The amortization schedules for loan numbers ORF-17-007-DW and ORF-17-0018-CW will be provided once all loan proceeds have been received.

NOTE 7 - FUND EQUITY

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

1. Net investment in capital assets
2. Restricted
3. Unrestricted

Restricted amounts are described in Note 5 above.

NOTE 8 - CONTINGENCIES

Litigation

According to management there were no known contingent liabilities at June 30, 2018, which would have a material effect on the financial statements.

Federally Assisted Programs

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

GRAND LAKE PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 9 - NET WORKING CAPITAL

The net working capital of the Authority is defined as current assets (assets used to settle current liabilities) less current liabilities (liabilities that will be settled within one year).

	2018	2017
Current assets	\$ 348,078	\$ 486,601
Current liabilities	504,311	514,360
Net working capital	<u>\$ (156,233)</u>	<u>\$ (27,759)</u>

NOTE 10 - RETIREMENT PLAN

Personnel expenses are contracted through UMCCO and therefore the Authority has no retirement or personnel expenses of its own.

NOTE 11 - SUBSEQUENT EVENTS

The Authority did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2018.

# KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE  
MUSKOGEE, OKLAHOMA 74401  
PHONE (918) 684-1040  
FAX (918) 684-1041

WEB: KERSHAWCPA.COM  
E-MAIL: RK@KERSHAWCPA.COM

607 NORTH 1<sup>ST</sup> STREET  
PONCA CITY, OKLAHOMA 74601  
PHONE (580) 762-1040  
FAX (580) 762-1047

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## 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 Directors  
Grand Lake 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 Grand Lake 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 Grand Lake Public Works Authority's basic financial statements, and have issued our report thereon dated June 16, 2021. Management has omitted the MD&A required by accounting principles generally accepted in the United States of America.

### Internal Control Over Financial Reporting

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

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

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

# KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE  
MUSKOGEE, OKLAHOMA 74401  
PHONE (918) 684-1040  
FAX (918) 684-1041

WEB: KERSHAWCPA.COM  
E-MAIL: RK@KERSHAWCPA.COM

607 NORTH 1<sup>ST</sup> STREET  
PONCA CITY, OKLAHOMA 74601  
PHONE (580) 762-1040  
FAX (580) 762-1047

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 Grand Lake Public Works Authority's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is listed in the Schedule of Findings as Item 18-01. The results of our tests disclosed no instances of other matters that are required to be reported under *Government Auditing Standards*.

## Grand Lake PWA's Response to Findings

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

## Purpose of this Report

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.

*Kershaw CPA & Associates, P.C.*

Kershaw, CPA & Associates, PC  
Muskogee, Oklahoma

June 16, 2021

GRAND LAKE PUBLIC WORKS AUTHORITY  
SCHEDULE OF FINDINGS  
JUNE 30, 2018

COMPLIANCE FINDING:

Item 18-01: OWRB AUDIT REQUIREMENTS

Criteria: The loan agreements with OWRB require the Authority to submit their audit to them within five months of the close of the fiscal year end.

Condition: The management company that operates the Authority was sold during the year under audit. The new owners have not been able to compile the necessary items needed for audit in a timely manner.

Cause/Effect: This leaves the Authority out of compliance with the OWRB loan agreements.

Recommendation: The Authority needs to get caught up on all late audits and stay current with the requirements.

Response: The Authority is aware of the problem and the management company has added another person from within their company to help expedite the audit process.