

AUDIT REPORT
GRAND LAKE PUBLIC WORKS AUTHORITY
JUNE 30, 2019

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JUNE 30, 2019

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GRAND LAKE PUBLIC WORKS AUTHORITY
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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, 2019, 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, 2019, 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 October 12, 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

October 12, 2021

**GRAND LAKE PUBLIC WORKS AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2019**

<u>ASSETS</u>	<u>2019</u>	<u>Memo Only 2018</u>
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 269,767	\$ 143,692
Restricted cash and cash equivalents	5,046	18,229
Accounts receivable	167,674	164,627
Prepaid expense	21,723	21,530
Total Current Assets	<u>464,209</u>	<u>348,078</u>
<u>Noncurrent Assets:</u>		
Restricted Debt Service & Reserve Funds	405,483	384,375
Land	200,000	200,000
Other Capital Assets, Net of Accumulated Depreciation	14,023,914	13,536,439
Total Noncurrent Assets	<u>14,629,397</u>	<u>14,120,814</u>
TOTAL ASSETS	<u>\$ 15,093,606</u>	<u>\$ 14,468,891</u>
 <u>LIABILITIES & NET POSITION</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 114,956	\$ 108,380
Accrued interest	73,748	69,385
Current Portion of Long-Term Debt	352,581	326,546
Total Current Liabilities	<u>541,285</u>	<u>504,311</u>
<u>Long-Term Liabilities:</u>		
Notes Payable - Long-Term Portion	8,834,214	8,457,389
Total Long-Term Debt	<u>8,834,214</u>	<u>8,457,389</u>
TOTAL LIABILITIES	<u>9,375,499</u>	<u>8,961,700</u>
 <u>NET POSITION:</u>		
Net investment in capital assets	5,037,119	4,952,504
Restricted for debt service	410,529	402,604
Unrestricted	270,459	152,083
TOTAL NET POSITION	<u>5,718,107</u>	<u>5,507,191</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 15,093,606</u>	<u>\$ 14,468,891</u>

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, 2019**

	<u>2019</u>	<u>Memo Only 2018</u>
<u>Operating Revenues:</u>		
Water Revenue	\$ 1,118,396	\$ 1,096,511
Sewer Revenue	724,805	729,622
Miscellaneous revenue - Water	54,465	63,222
Miscellaneous revenue - Sewer	11,276	31,959
Total Operating Revenues	<u>1,908,942</u>	<u>1,921,314</u>
<u>Operating Expenses:</u>		
Contract personnel expense	354,630	336,007
Utilities	186,854	173,065
Depreciation Expense	726,185	703,350
Management fees	127,883	118,541
Water treatment costs	34,880	32,313
Uncollected Accounts	-	-
Miscellaneous expense	20,438	23,973
Materials and supplies	3,026	7,194
Property and liability insurance	25,440	25,189
Professional fees	9,000	12,869
Equipment costs and small tools	76,270	78,645
Repairs and maintenance	95,150	38,454
Vehicle expense	21,087	16,100
Total Operating Expenses	<u>1,680,843</u>	<u>1,565,700</u>
Net Operating Income (Loss)	<u>228,099</u>	<u>355,614</u>
<u>Non-operating Income (Expense):</u>		
Interest Income	10,974	1,884
Interest Expense	(250,686)	(319,134)
Debt Issuance Costs	-	(95,000)
Grant (Other) Income	235,149	-
Total Non-operating Income (Expense)	<u>(4,564)</u>	<u>(412,249)</u>
Change in Net Position	223,535	(56,635)
Total Net Position, Beginning of Year	5,507,191	5,563,826
Total Net Position, Prior Year Adjustment	<u>(12,620)</u>	<u>-</u>
Total Net Position, End of Year	<u>\$ 5,718,107</u>	<u>\$ 5,507,191</u>

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

**GRAND LAKE PUBLIC WORKS AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2019**

	2019	Memo Only 2018
<u>Cash Flows from Operating Activities:</u>		
Cash Receipts from Customers	\$ 1,905,895	\$ 2,022,305
Payments to Suppliers for Goods & Services	(948,276)	(871,615)
Net Cash Provided (Used) by Operating Activities	957,620	1,150,690
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Additions to Capital Assets	(1,226,280)	(876,169)
Proceeds from Sale of Capital Assets	-	-
Debt Proceeds	828,842	1,941,479
Debt Issuance Costs	-	(95,000)
Grant Income (Other)	235,149	-
(Increase)Decrease Restricted Accounts	(7,924)	14,751
Principal paid on long-term debt	(417,314)	(1,861,645)
Interest paid on Debt	(254,991)	(326,595)
Net Cash Provided (Used) by Capital & Related Financing Activities	(842,519)	(1,203,179)
<u>Cash Flows from Investing Activities:</u>		
Interest and dividends	10,974	1,884
Net Cash Provided (Used) by Investing Activities	10,974	1,884
Net Increase (Decrease) in Cash and Cash Equivalents	126,074	(50,605)
Cash & Cash Equivalents, Beginning of Year	143,692	194,297
Cash & Cash Equivalents, Prior Year Adjustment	-	-
Cash & Cash Equivalents, End of Year	\$ 269,767	\$ 143,692
<u>Reconciliation of operating income (loss) to net cash provided operating activities:</u>		
Operating Income (Loss)	\$ 228,099	\$ 355,614
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation & Amortization	726,185	703,350
(Increase)Decrease in Accounts Receivable	(3,047)	100,991
(Increase)Decrease in Prepaid Expense	(193)	149
Increase(Decrease) in Accounts Payable	6,576	(9,414)
Net Cash Provided (Used) by Operating Activities	\$ 957,620	\$ 1,150,690

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

GRAND LAKE PUBLIC WORKS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, 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, 2019

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, 2019 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
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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, 2019

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, 2019, the Authority held deposits of approximately \$269,767 at financial institutions, plus \$405,483 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, 2019, was as follows:

	6/30/18 Balance	Additions	Deductions	6/30/19 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	19,711,219	1,222,480	-	20,933,699
Equipment	342,921	3,800	-	346,721
Total other capital assets at historical cost	20,054,140	1,226,280	-	21,280,420
Less accumulated depreciation for:				
Distribution System	(6,200,809)	(721,588)	-	(6,922,397)
Equipment	(316,892)	(17,217)	-	(334,108)
Total accumulated depreciation	(6,517,701)	(738,805)	-	(7,256,506)
Other capital assets, net	13,536,439	487,475	-	14,023,914
Total Capital Assets, net	<u>\$ 13,736,439</u>	<u>\$ 487,475</u>	<u>\$ -</u>	<u>\$ 14,223,914</u>

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, 2019 is \$187,739.95.

GRAND LAKE PUBLIC WORKS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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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, 2019 is \$435,456.64.

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, 2019 is \$860,000.00. 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, 2019 is \$4,341,520.08.

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. 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, 2019 is \$46,280.67.

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, 2019 is \$1,517,005.71.

GRAND LAKE PUBLIC WORKS AUTHORITY
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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. The balance payable on the note at June 30, 2019 is \$1,310,000.00.

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 ½% of the outstanding balance for administrative fees. The balance payable on the note at June 30, 2019 is \$383,116.62.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

Acct	Description	Balance at June 30, 2018	Additions	Deductions	Balance at June 30, 2019
2600	OWRB ORF-17-0007-DW	\$ 329,671	\$ 53,445	\$ -	\$ 383,117
2601	BANCFIRST LOAN	65,103	-	(18,823)	46,281
2605	OWRB ORF-09-0004-CW	467,178	-	(31,721)	435,457
2606	OWRB FAP-09-0001-L	-	-	-	-
2607	OWRB FAP-18-0003-L	1,390,000	-	(80,000)	1,310,000
2608	OWRB ORF-02-0020-CW	231,685	-	(43,945)	187,740
2609	OWRB FAP-12-0016-L	885,000	-	(25,000)	860,000
2610	OWRB ORF-11-003-DW	4,468,087	-	(126,567)	4,341,520
2612	OWRB ORF-17-0018-CW	832,868	775,397	(91,259)	1,517,006
	Total Long-Term Debt	8,669,592	\$ 828,842	\$ (417,314)	\$ 9,081,120
	Less: Unamortized Discount on Bonds Payable	(2,669)	-	108	(2,560)
	Plus: Unamortized Premium on Bonds Payable	117,012	-	(8,776)	108,236
	Less: Current Maturities of Long-Term Debt	(326,546)			(352,581)
	Net Long-Term Debt	\$ 8,457,389			\$ 8,834,214

Debt Services Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of June 30, 2019, are as follows:

GRAND LAKE PUBLIC WORKS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

<u>Bancfirst Loan</u>			
Year Ending June 30,	Principal	Interest	Total
2020	\$ 20,404	\$ 2,005	\$ 22,408
2021	21,554	854	22,408
2022	4,323	14	4,337
2023	-	-	-
2024	-	-	-
Total	<u>\$ 46,281</u>	<u>\$ 2,873</u>	<u>\$ 49,154</u>

<u>OWRB ORF-09-0004-CW</u>				
Year Ending June 30,	Principal	Interest	Admin Fee	Total
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	36,409	6,644	1,477	43,053
2025-2029	198,068	20,112	4,469	218,180
2030-2031	64,970	1,493	332	66,463
Total	<u>\$ 435,457</u>	<u>\$ 62,704</u>	<u>\$ 13,934</u>	<u>\$ 498,160</u>

<u>OWRB FAP-18-0003-L</u>			
Year Ending June 30,	Principal	Interest	Total
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	105,000	30,334	135,334
2025-2029	415,000	110,283	525,283
2031-2032	315,000	18,756	333,756
Total	<u>\$ 1,310,000</u>	<u>\$ 318,424</u>	<u>\$ 1,628,424</u>

GRAND LAKE PUBLIC WORKS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

<u>OWRB ORF-02-0020-CW</u>				
Year Ending				
June 30,	Principal	Interest	Admin Fee	Total
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
2024	-	-	-	-
Total	<u>\$ 187,740</u>	<u>\$ 9,150</u>	<u>\$ 2,179</u>	<u>\$ 196,890</u>

<u>OWRB FAP-12-0016-L</u>			
Year Ending			
June 30,	Principal	Interest	Total
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	25,000	28,952	53,952
2025-2029	150,000	128,794	278,794
2030-2034	180,000	98,971	278,971
2035-2039	210,000	60,979	270,979
2040-2042	195,000	15,999	210,999
Total	<u>\$ 860,000</u>	<u>\$ 457,583</u>	<u>\$ 1,317,583</u>

<u>OWRB ORF-11-0003-DW</u>				
Year Ending				
June 30,	Principal	Interest	Admin Fee	Total
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
2024	143,286	76,599	19,150	239,035
2025-2029	774,296	336,705	84,176	1,195,177
2030-2034	878,260	253,534	63,383	1,195,177
2035-2039	996,185	159,193	39,798	1,195,177
2040-2044	1,010,428	52,184	13,046	1,075,659
Total	<u>\$ 4,341,520</u>	<u>\$ 1,211,878</u>	<u>\$ 302,969</u>	<u>\$ 5,856,367</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.

GRAND LAKE PUBLIC WORKS AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

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, 2019, which would have a material effect on the financial statements.

Federally Assisted Programs

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

NOTE 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).

	2019	2018
Current assets	\$ 464,209	\$ 348,078
Current liabilities	541,285	504,311
Net working capital	\$ (77,076)	\$ (156,233)

NOTE 10 - RETIREMENT PLAN

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

GRAND LAKE PUBLIC WORKS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019.

NOTE 12 - PRIOR YEAR ADJUSTMENT

A prior year adjustment was made to Total Net Position to correct beginning accumulated depreciation in the amount of \$12,619.92.

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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, 2019, 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 October 12, 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,

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during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 19-01. 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

October 12, 2021

GRAND LAKE PUBLIC WORKS AUTHORITY
SCHEDULE OF FINDINGS
JUNE 30, 2019

COMPLIANCE FINDING:

Item 19-01: 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.