

**INDEPENDENT  
ACCOUNTANT'S AUDIT REPORT**

**ELMORE CITY  
PUBLIC WORKS AUTHORITY**

**JUNE 30, 2021**

BY



**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**For the Fiscal Year Ended June 30, 2021**

**TABLE OF CONTENTS**

	<u>Page</u>
<b><u>INDEPENDENT AUDITOR’S REPORT</u></b> .....	1 - 2
<b><u>MANAGEMENT DISCUSSION AND ANALYSIS-OTHER INFORMATION</u></b> .....	3 - 7
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
<b><u>Proprietary Fund Financial Statements</u></b>	
Statement of Net Position – Modified Cash Basis .....	8
Statement of Revenue, Expense, and Changes in Net Position – Modified Cash Basis .....	9
Statement of Cash Flows – Modified Cash Basis .....	10
Footnotes to the Basic Financial Statements .....	11 - 17
<b><u>REQUIRED SUPPLEMENTAL INFORMATION</u></b>	
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 <i>Government Auditing Standards</i> .....	18 - 19
Schedule of Findings.....	20 - 21
<b><u>SUPPLEMENTAL INFORMATION</u></b>	
Schedule of Federal and State Awards .....	22
Notes to Schedule of Expenditures of Federal Awards .....	23



---

---

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Elmore City Public Works Authority  
Elmore City, Oklahoma

We have audited the accompanying modified cash basis financial statements of the Elmore City Public Works Authority of the City of Elmore City, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the Elmore City Public Works Authority of the City of Elmore City, Oklahoma, as of June 30, 2021 and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### **Basis of Accounting**

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

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Elmore City Public Works Authority and do not purport to, and do not present fairly the financial position of the City of Elmore City, Oklahoma, as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2022, on our consideration of the 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 Authority's internal control over financial reporting and compliance.

*Furrh & Associates, PC*

FURRH & ASSOCIATES, PC

Lawton, Oklahoma

July 5, 2022

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

The management of the Elmore City Public Works Authority (the Authority) is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the Authority's financial condition and activities as of and for the year ended June 30, 2021. Management of the Authority is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The Authority reports its financial statements and schedules on a modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. All of the financial analyses in this report must be considered within the context of the limitations of the modified cash basis of accounting.

**FINANCIAL HIGHLIGHTS**

- As reported on a modified cash basis, the Authority's total net position increased by \$221,473 and the assets of the Authority exceed its liabilities for the year ended June 30, 2021, by \$2,155,944 (net position).
- For the year ended June 30, 2021, unrestricted net position on a modified cash basis for the Authority was \$362,748 or 72% of Authority annual operating revenues.

**ABOUT THE PUBLIC WORKS AUTHORITY**

The Elmore City Public Works Authority was created pursuant to a Trust Indenture as authorized by Title 60, Oklahoma Statutes 1984, section 176-180.3, inclusive and the Oklahoma Trust Act. The governing body of the Authority is the Board of Trustees comprised of five elected members. The Authority is a component unit of its beneficiary, the Town of Elmore City. Elmore City Public Works Authority is a proprietary fund that accounts for activities related to the provision of water, sewer, and sanitation services to businesses and residents. It operates the water and sewer treatment plants, water distribution system, sewer collections systems, pump stations, and outsources sanitation services.

**Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 11-18 of this report.

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

**THE AUTHORITY AS A WHOLE**

Following is a summary of Net Position reported on a modified cash basis for the Authority for the past two fiscal years.

**TABLE 1**  
**NET POSITION (in Thousands)**

	<b>Elmore City Public Works Authority</b>		
	2021	2020 *	% Incr / (Decr)
Total Assets	\$ 3,739	\$ 3,499	7%
Total Liabilities	\$ 1,583	\$ 1,614	-2%
Net Position			
Net Investment in Capital Assets	1,782	1,609	11%
Restricted	11	13	-15%
Unrestricted	363	263	38%
Total Net Position	\$ 2,156	\$ 1,885	14%

\* Prior year not restated for MDA purposes.

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

**TABLE 2**  
**CHANGES IN NET POSITION (in Thousands)**

	<u>Elmore City Public Works Authority</u>		
	<u>2021</u>	<u>2020 *</u>	<u>% Incr / (Decr)</u>
Revenues			
Charges for Services	\$ 504	\$ 458	10%
Grants and Contributions	121	1,186	
Miscellaneous	1	10	11%
Total Revenues	<u>\$ 626</u>	<u>\$ 1,654</u>	7%
Expenses			
Administration	62	351	-82%
Water	132	0	100%
Sewer	42	0	100%
Sanitation	68	0	100%
Depreciation Expense	67	41	63%
Interest Expense	25	26	-4%
Total Expenses	<u>396</u>	<u>418</u>	-5%
Excess (deficiency) before transfers	230	1,236	-81%
Transfers	<u>(8)</u>	<u>0</u>	100%
Change in Net Position	222	1,236	-82%
Beginning net position, restated for 2021	<u>1,934</u>	<u>649</u>	198%
Ending net position	<u><u>\$ 2,156</u></u>	<u><u>\$ 1,885</u></u>	14%

\* Prior year not restated for MDA purposes.

Grants and Contributions decreased 90% due to majority of the \$1,307,000 USDA Grant being received in fiscal year 2020.

Water, Sewer, and Sanitation departmental expenses increased 100% due to reclassification of costs from the administration department in fiscal year 2021.

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2021, the Authority had \$3,301,506 invested in capital assets, net of depreciation, including land, buildings, machinery and equipment, park facilities, water, sewer and stormwater systems, roads and bridges. This represents a net increase of \$54,225 over last year.

**TABLE 3**  
**CAPITAL ASSETS (in Thousands)**  
**(Net of accumulated depreciation)**

	<b>Elmore City Public Works Authority</b>	
	2021	2020
Vehicles	\$ 27	\$ 27
Machinery and Equipment	70	70
Infrastructure	4,267	1,392
Construction-in-Progress	0	2,754
Totals	4,364	4,243
Less Accumulated Depreciation	(1,062)	(996)
Totals, Net	\$ 3,302	\$ 3,247

Major capital asset events during the current fiscal year included the completion of the USDA Water System Improvement Project.

**Long-term Debt**

At year-end, the Authority had \$1,559,210 in long-term debt outstanding, reported on a modified cash basis, a \$29,553 decrease from the prior year.

	<b>Elmore City Public Works Authority</b>	
	2021	2020
Notes Payable	\$ 1,559	\$ 1,589
Totals	\$ 1,559	\$ 1,589



**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

The following information outlines significant known factors that will affect subsequent year finances:

- The Authority expects utility revenues and expenses to be relatively consistent when compared to the prior year.

**Contacting the Authority's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's office at 106 Main St, Elmore City, Oklahoma 73433 or telephone at (580) 788-2345.

# Elmore City Public Works Authority

## Elmore City, Oklahoma

### Statement of Net Position

(Modified Cash Basis)

For Year Ended June 30, 2021

#### ASSETS

##### Current Assets

Cash and Cash Equivalents	\$	346,436	
Restricted Cash and Cash Equivalents		86,341	
Due from Other Funds		4,264	
Total Current Assets			\$ 437,041

##### Fixed Assets

Water and Sewer System		4,364,090	
Accumulated Depreciation		(1,062,584)	
Net Fixed Assets			3,301,506
Total Assets			\$ 3,738,547

#### LIABILITIES AND NET POSITION

##### Current Liabilities

Current Portion of Notes Payable	\$	30,021	
Total Current Liabilities			\$ 30,021

##### Long-Term Liabilities

Refundable Meter Deposits		23,393	
Notes Payable, net of current portion		1,529,189	
Total Long Term Liabilities			1,552,582
Total Liabilities			1,582,603

##### Net Position

Invested in Capital Assets, Net of Related Debt		1,782,124	
Restricted for Debt Service		11,072	
Unrestricted		362,748	
Total Net Position			2,155,944
Total Liabilities and Net Position			\$ 3,738,547

Please see accompanying notes to financial statements.

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Statement of Revenue, Expenses, and Changes in Net Position**  
**(Modified Cash Basis)**  
**Year Ended June 30, 2021**

**Operating Revenue**

Water Revenue	\$ 277,884	
Sewer Revenue	114,451	
Sanitation Revenue	88,265	
Miscellaneous Revenue	<u>23,475</u>	
Total Operating Revenue		\$ 504,075

**Operating Expense**

General and Administration	61,721	
Water	132,365	
Sanitation Services	68,128	
Sewer	42,514	
Depreciation	<u>67,006</u>	
Total Operating Expense		<u>371,734</u>

Net Operating Income / (Loss) 132,341

**Nonoperating Revenue (Expense)**

Grant Revenue	121,232	
Interest Income	167	
Gain on Disposal of Capital Assets	600	
Interest Expense	<u>(24,680)</u>	
Total Nonoperating Revenue (Expense)		<u>97,319</u>

Income / (Loss) before Transfers 229,660

**Transfers**

Transfers In	463	
Transfers Out	<u>(8,650)</u>	
Total Transfers In / (Out)		<u>(8,187)</u>

Change in Net Position 221,473

Net Position, June 30, 2020 1,934,471

Net Position, June 30, 2021 \$ 2,155,944

Please see accompanying notes to financial statements.

# Elmore City Public Works Authority

## Elmore City, Oklahoma

### Statement of Cash Flows

#### (Modified Cash Basis)

Year Ended June 30, 2021

#### Cash Flows from Operating Activities

Cash Received from Customers	\$ 504,075	
Cash Paid for Salaries and Related Costs	(156,298)	
Cash Paid for Supplies	(148,430)	
Interfund receipts/payments	(4,195)	
Receipts/(Refunds) of customer utility deposits	(1,415)	
Net Cash Provided by Operating Activities		\$ 193,737

#### Cash Flows from Noncapital Financing Activities

Net Transfers from/(to) other funds	(8,187)	
Net Cash Provided by Investing Activities		(8,187)

#### Cash Flows from Capital and Related Financing Activities

Purchases of capital assets	(121,232)	
Receipt of grant	121,232	
Proceeds on sale of capital assets	602	
Interest Expense	(25,600)	
Principal paid on debt	(29,553)	
Net Cash Used by Capital Financing Activities		(54,551)

#### Cash Flows from Investing Activities

Interest Income	167	
Net Cash Provided by Investing Activities		167

Net Increase in Cash and Cash Equivalents 131,166

Cash and Cash Equivalents, June 30, 2020 301,611

Cash and Cash Equivalents, June 30, 2021 \$ 432,777

#### **Reconciliation of Operating Income to Net Cash Provided by Operating Activities**

Net Operating Income / (Loss) 132,341

Adjustments to reconcile operating income to net cash provided by operating activities

Depreciation	\$ 67,006	
Increase in Due from Town	(4,195)	
Decreased in Meter Deposit Liability	(1,415)	
Total Adjustments		61,396

Net Cash Provided by Operating Activities \$ 193,737

Please see accompanying notes to financial statements.

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

**Note 1 – Summary of Significant Accounting Policies**

A. Financial Reporting Entity

**The Elmore City Public Works Authority (the Authority)** – operates the water, sewer, and sanitation services of the Town. The Town of Elmore City is the beneficiary of the Authority and the Town Council serves as the governing body of the Authority.

The Authority is a Public Trust established pursuant to Title 60 of the Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authority is generally created to finance Town services through the issuance of revenue bonds or other non-general obligation debt and to enable the Town Council to delegate certain functions to the governing body (Trustees) of the Authority. In accordance with state law, all debt obligations incurred by public trusts require 2/3 approval by the Town Council. In addition, the Town has leased certain existing assets at the creation for the Authority to the Trustees on a long-term basis. The Town, as beneficiary of the Public Trust, receives title to any residual assets when a Public Trust is dissolved.

The Authority has the Town Council as their governing body (trustees) and the Town is able to impose its will on the Trust through required approval of all debt obligations issued by these entities.

B. Basis of Accounting

Proprietary funds are accounted for using the cash basis of accounting modified as follows:

- Capital assets are recorded as assets when purchased and related depreciation is recorded.
- Long term debt is recorded when the proceeds of the long-term debt have been received.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Elmore City Public Works Authority are charges to customers for sales and services. Operating expenses for enterprises funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as *nonoperating* revenues and expenses.

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

C. Cash, Cash Equivalents, Investments

Cash and cash equivalents include all demand and savings accounts, certificates of deposit, and any short-term investments with an original maturity of three months or less, and open-end government mutual funds. Investments consist of long-term certificates of deposits and are reported at cost.

D. Capital Assets and Depreciation

Reported capital assets are limited to those acquired with cash and cash equivalents consistent with the modified cash basis of accounting.

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, vehicles, and infrastructure. A capitalization threshold of \$500 is used to report capital assets. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Assets are recorded at historical cost or estimated historical costs if purchased or constructed. Donated water and sewer distribution systems are recorded at estimated fair value at the date of donation.

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 30 - 50 years
- Infrastructure 10 - 30 years
- Improvements other than buildings & infrastructure 10 - 20 years
- Machinery and equipment 5 - 10 years
- Vehicles 3 - 5 years

E. Long Term Debt

Reported long-term debt is limited to debt arising from cash transactions consistent with the modified cash basis of accounting.

F. Net position

Net position is divided into 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 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

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

regulations of other governments, 2) law through constitutional provisions or enabling legislation, or 3) Town Council motion.

- c) *Unrestricted Net Position* - All remaining net position that does not meet the definition of “restricted”.

It is the Town’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 is available

**Note 2 – Deposits, Investments, and Collateral**

For the year ended June 30, 2021, the Authority recognized \$167 of investment income.

At June 30, 2021, the Authority held the following deposits and investments

<b>Type</b>	<b>Credit Rating</b>	<b>Carrying Value</b>
<b>Deposits: Demand Deposits</b>		\$ 432,777
Total Deposit and Investments		\$ 432,777
<b>Reconciliation to Statement of Net Position</b>		
Cash and cash equivalents		\$ 346,436
Restricted cash and investments		86,341
		\$ 432,777

*Custody Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The Authority is governed by the State Public Deposit Act which requires that the Authority obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty’s trust, department, or agent, but not in the government’s name.

As of June 30, 2021, the Authority was not exposed to custodial credit risk as defined above.

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

*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.

*Restricted Cash and Investments* – The amounts reported as restricted assets on the Statement of Net Position are comprised of amounts restricted for utility deposits, debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2021 are as follows:

The restricted assets as of June 30, 2021 were as follows:

USDA short lived asset account	\$	39,827
Meter Deposits Checking		35,442
USDA debt service reserve account		11,072
Total Cash in Bank	\$	86,341

**Note 3 – Capital Assets and Depreciation**

For the year ended June 30, 2021, capital assets balances changed as follows:

	Balance at 07/01/2020	Additions	Disposals	Balance at 06/30/2020
<b><i>Business-type activities:</i></b>				
Capital assets not being depreciated				
Construction in progress	\$ 2,753,768	\$ 121,232	\$ 2,875,000	\$ 0
Total capital assets not being depreciated	2,753,768	121,232	2,875,000	0
 Other Capital assets				
Machinery and equipment	70,365	0	0	70,365
Vehicles	27,200	0	0	27,200
Infrastructure	1,391,524	2,875,000	0	4,266,524
Total other capital assets at historical costs	1,489,089	2,875,000	0	4,364,089
 Less accumulated depreciation for:				
Machinery and equipment	41,415	5,628	0	47,043
Vehicles	23,911	2,739	0	26,650
Infrastructure	930,251	58,639	0	988,890
Total other capital assets at historical costs	995,577	67,006	0	1,062,583
Other capital assets, net	493,512	2,807,994	0	3,301,506
Business-type activities capital assets, net	\$ 3,247,280	\$ 2,929,226	\$ 2,875,000	\$ 3,301,506



**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

<u>Business-Type Activities</u>	
Water	\$ 65,706
Sewer	<u>1,300</u>
	<u>\$ 67,006</u>

**Note 4 – Long-Term Debt and Debt Service Requirements**

For the year ended June 30, 2021, the reporting entity’s long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance as of July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance as of June 30, 2021</u>	<u>Due Within One Year</u>
<b>Business-Type Activities:</b>					
USDA Loan	\$ 1,588,763	\$ 0	\$ 29,553	\$ 1,559,210	\$ 30,021
Total Long-Term Debt	<u>\$ 1,588,763</u>	<u>\$ 0</u>	<u>\$ 29,553</u>	<u>\$ 1,559,210</u>	<u>\$ 30,021</u>

Notes payable-direct borrowings/placements: \$1,618,000 USDA Loan, dated June 17, 2019, due in monthly principal installments through June 17, 2059, with interest at 1.625%, secured by a pledge of the net water and sewer revenues, along with a real estate mortgage having a first lien position on all real property, pertaining to the water system which includes all easements, leases, permits and water rights currently owned or to be acquired. Proceeds were used to fund water system improvements. In the event of default, the following remedies are available to the lender: (a) declare the entire amount unpaid under the note and any indebtedness to the Government hereby secured immediately due and payable, (b) for the account of Borrower incur and pay reasonable expenses for repair or maintenance of and take possession of, operate or rent the property, (c) upon application by it and production of this instrument, without other evidence and without notice of hearing of said application, have a receiver appointed for the property, with the usual powers of receivers in like cases, (d) foreclose this instrument as provided herein or by law, and (e) enforce any and all other rights and remedies provided herein or by present or future laws.

Current Portion	\$ 30,021
Non-Current Portion	<u>1,529,189</u>
	<u>\$ 1,559,210</u>

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

Payment Requirements to Maturity:

Year Ending June 30,	<b>Business Type Activities</b>		
	Revenue bonds payable-direct borrowings/placements		
	Principal	Interest	Total
2022	\$ 30,021	\$ 25,131	\$ 55,152
2023	30,512	24,640	55,152
2024	30,946	24,206	55,152
2025	31,519	23,633	55,152
2026	32,036	23,116	55,152
2027-2031	168,160	107,600	275,760
2032-2036	182,352	93,408	275,760
2037-2041	197,850	77,910	275,760
2042-2046	214,604	61,156	275,760
2047-2051	232,776	42,984	275,760
2052-2056	252,477	23,283	275,760
2057-2059	155,957	3,807	159,764
Total	\$ 1,559,210	\$ 530,874	\$ 2,090,084

*Utility Net Revenues Pledge* – The Authority has pledged net utility revenues to repay the 2019 USDA Loan. Proceeds from the bonds provided financing for water system improvements. The Notes are payable from net water and sewer revenues and are payable through 2056. The total principal and interest for the remainder of the life of the bonds is \$2,090,084. Pledged net water, and sewer revenues were \$217,456. Debt service payments of \$55,153 for the current fiscal year were 25.4% of pledged net water and sewer revenues.

**Note 5 – 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 health and life; and natural disasters. The Authority purchases commercial insurance for protection against loss other than health, life, and workers compensation. Deductibles on property, vehicle, and general liability policies range from \$500 - \$1,000. Settled claims have not exceeded the commercial coverage during the past three years.

The Authority is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2021**

State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year.

**Note 6 – Employee Retirement Plan Participation**

As of June 30, 2021, the Authority was not participating in any retirement plans.

**Note 7 – Commitments and Contingencies**

*Compensated Absences:*

As a result of the Authority's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and comp leave) earned but unpaid at year-end are not reflected in the basic financial statements. The compensated absence commitment at June 30, 2021 is \$10,256.

*Litigation:*

The Authority and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the Authority. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation cannot be predicted, due to the insurance coverage maintained by the Authority and the State statute relating to judgments, the Authority feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Authority.

**Note 8 – Subsequent Events**

Subsequent events were evaluated through July 5, 2022, which is the date the financial statements were available to be issued.



---

---

**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***

Board of Trustees  
Elmore City Public Works Authority  
Elmore City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Elmore City Public Works Authority, Elmore City, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated July 5, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Elmore City 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 the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. We identified the following deficiencies: 2020-1 and 2021-2.

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 identified deficiencies in internal control that we consider to be material weaknesses. 2021-1 and 2021-3.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 Authority'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.

*Furrh & Associates, PC*

**FURRH & ASSOCIATES, PC**

Lawton, Oklahoma

July 5, 2022

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2021**

**Reportable Conditions of Internal Control, Compliance and Other Matters**

**2020-1    Council Meeting Minutes are not Signed (repeat finding)**

Condition – Council meeting minutes are not signed by authorized personnel.

Effect – Archived information is not protected from being altered or deleted.

Cause – Lack of oversight by Management.

Recommendation – We recommend Council meeting minutes are signed by authorized personnel at the meeting that they are voted and approved.

Management response – Management concurs. Effective November 2021, procedures have been implemented to ensure that all council minutes are signed at the meeting.

**2021-1    Segregation of Duties**

Condition – Lack of a proper checks and balances (segregation of duties) among office employees.

Effect – Without proper segregation of duties, the risk increases that errors and fraud related to the financial activities of the Authority could occur.

Cause – The Authority’s limited personnel and resources result in the inability to provide sufficient staffing to fully segregate duties.

Recommendation – Efficient segregation of duties in a small city environment is often difficult; however, we believe that the governing body and Authority’s management should be aware of the risk associated with this lack of segregation of duties and attempt to exercise as much oversight control as possible and feasible in these areas.

Management response – Management concurs. The Authority has hired an outside consulting firm to establish procedures and the necessary oversight.

**2021-2    Meter Deposit Documentation**

Condition – Documentation could not be located to substantiate payments from the Meter Deposit fund to the customer.

Effect – Without proper documentation, a meter deposit could be refunded to a customer inappropriately.

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2021**

Cause – The reason for the lack documentation is that no policy or procedures exist concerning this area of fiscal management.

Recommendation – We recommend that management establish a procedure that allows documentation to be retained regarding meter deposit refunds.

Management response – Management concurs. The Authority has hired an outside consulting firm to establish procedures and the necessary oversight.

**2021-3**    **Utility Adjustments**

Condition – An employee of the Authority had a large adjustment to his utility account. When we questioned the reason for the adjustment, documentation could not be located.

Effect – Without proper documentation, utility adjustments could occur without authorization. This increases the risk of fraud relating to such adjustments.

Cause – The reason for the lack documentation is that no policy or procedures exist concerning this area of fiscal management.

Recommendation – We recommend that management establish a procedure that requires all utility adjustments to be documented and authorized.

Management response – Management concurs. The Authority has hired an outside consulting firm to establish procedures and the necessary oversight.

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Schedule of Federal and State Awards**  
**For Year Ended June 30, 2021**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Award Amount</u>	<u>Expenditures</u>
<u>United States Department of Agriculture</u>			
Passed Through Oklahoma Rural Development:			
Water and Waste Disposal Systems for Rural Communities	10.7600	<u>\$ 1,307,000</u>	<u>\$ 121,232</u>
		<u><u>\$ 1,307,000</u></u>	<u><u>\$ 121,232</u></u>

Please see accompanying notes to the financial statements.



**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Notes To Schedule of Expenditures of Federal Awards**  
**June 30, 2021**

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Elmore City Public Works Authority under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

**Note 3 – Indirect Cost Rate**

The Authority has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.