

**Bethany – Warr Acres Public Works Authority**

**Report on Audit of Financial Statements**

**For the Period Ending June 30, 2022**

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### INDEPENDENT AUDITOR'S REPORT

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

#### Opinions

We have audited the accompanying modified cash basis financial statements of the of the Bethany - Warr Acres Public Works Authority, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Bethany - Warr Acres Public Works Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Bethany - Warr Acres Public Works Authority, as of June 30, 2022, 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 A.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bethany - Warr Acres Public Works Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Emphasis of Matter—Basis of Accounting

We draw attention to Note A 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.

#### Responsibilities of Management 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, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bethany - Warr Acres Public Works Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bethany - Warr Acres Public Works Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022, on our consideration of the Bethany - Warr Acres 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 solely 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 the effectiveness of the Bethany - Warr Acres Public Works Authority's 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 Bethany - Warr Acres Public Works Authority's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma  
October 26, 2022

**Bethany-Warr Acres Public Works Authority**  
**Statement of Net Assets - Modified Cash Basis**  
**As of June 30, 2022**

<b>Assets</b>	
Current Assets	
Cash and Cash Equivalents - Unrestricted	2,854,091.02
Accounts Receivable (Net of Allowance)	<u>196,517.56</u>
Total Current Assets	3,050,608.58
Restricted Assets	
Investments	<u>106,162.34</u>
Total Restricted Assets	106,162.34
Capital Assets	
Plant and Buildings	13,130,146.00
Improvements	7,145,451.00
Machinery and Equipment	669,224.45
Accumulated Depreciation	<u>(16,256,788.08)</u>
Capital Assets (Net)	<u>4,688,033.37</u>
<b>Total Assets</b>	<b>\$ <u><u>7,844,804.29</u></u></b>

<b>Liabilities</b>	
Non-Current Liabilities	
Customer Security Deposits	<u>6,742.00</u>
<b>Total Liabilities</b>	<b><u>6,742.00</u></b>

<b>Net Assets</b>	
Investments in Capital Assets, Net of Related Debt	4,688,033.37
Unrestricted	<u>3,150,028.92</u>
Total Net Assets	<u>7,838,062.29</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u><u>7,844,804.29</u></u></b>

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

**Bethany-Warr Acres Public Works Authority**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ending June 30, 2022**

Operating Revenues	2,065,588.51
Operating Expenses	
Salaries, Wages and Benefits	474,503.06
Materials and Supplies	201,914.34
Professional Services	233,811.77
Utilities	233,435.10
Insurance	11,697.75
Depreciation	268,587.66
Total Operating Expenses	1,423,949.68
Operating Income (Loss)	641,638.83
Non-Operating Revenues (Expenses)	
Investment Income	8,860.32
Transfer to Beneficiary	(470,791.15)
Total Non-Operating Revenues (Expenses)	(461,930.83)
<b>Change in Net Assets</b>	179,708.00
Beginning Net Assets	7,658,354.29
<b>Ending Net Assets</b>	\$ 7,838,062.29

The accompanying notes are integral part of these financial statements.

**Bethany-Warr Acres Public Works Authority**  
**Statement of Cash Flows - Modified Cash Basis**  
**As of June 30, 2022**

<b>Cash Flows From Operating Activities</b>	
Cash Received From Customers	2,047,572.71
Cash Payments to Suppliers	(719,878.68)
Cash Payments to Employees	<u>(473,093.80)</u>
<b>Net Cash Provided by (Used) by Operating Activities</b>	<b>854,600.23</b>
<b>Cash Flows From Capital and Related Activities</b>	
Cash Payments for Beneficiary	<u>(470,791.15)</u>
<b>Net Cash Used by Capital and Related Activities</b>	<b>(470,791.15)</b>
<b>Cash Flows From Investing Activities</b>	
Interst Income Received	<u>8,860.32</u>
<b>Net Cash Provided from Investing Activiteis</b>	<u>8,860.32</u>
Net Increase (Decrease) in Cash and Cash Equivalents	392,669.40
Cash and Cash Equivalent, Beginning of Year	<u>2,567,583.96</u>
<b>Cash and Cash Equivalent, End of Year</b>	<b><u>\$ 2,960,253.36</u></b>

**Reconciliation of Cash and Changes in Net Assets**

Net Operating Income (Loss)	641,638.83
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:	
Depreciation	268,587.66
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(18,015.80)
Decrease (Increase) in Accounts Payable	(37,531.72)
Decrease (Increase) in Employment Payable	(78.74)
Total Adjustments	<u>212,961.40</u>
<b>Net Cash Flows Provided (Used) by Operating Activities</b>	<b><u>\$ 854,600.23</u></b>

**Cash and Cash Equivalents**

Cash and Cash Equivalents - Unrestricted	2,854,091.02
Cash and Cash Equivalents - Restricted	<u>106,162.34</u>
	<b><u>\$ 2,960,253.36</u></b>

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

**BETHANY-WARR ACRES PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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

**Nature of Organization**

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

**Basis of Accounting**

The District is classified as an Enterprise Fund. The costs of providing the sewer services to the public are financed mainly through user charges. The financial statements of the Authority have been prepared using the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenues, and expenses when they result from cash transactions with a provision for depreciation. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, assets, liabilities, revenues and expenses with regards to the retirement system the Authority is enrolled in are not presented.

**Cash and Deposits**

Cash is maintained in financial institutions, which provide coverage to depositors through the Federal Deposit Insurance Corporation.

The State of Oklahoma allows government entities to invest in the following: direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposit, insured savings accounts or savings certificates; or county, municipal or school Authority direct debt.



### **Statement of Cash Flows**

For purposes of the Statement of Cash Flows, the Authority considers all accounts and certificates of deposit with a maturity of three months or less to be cash equivalents.

#### **Note 2 – Accounts Receivable**

Accounts receivable of the Authority consist of utility customer receivables for sewer services and are stated at fair market value.

#### **Note 3 – Capital Assets**

Depreciable assets are recorded at cost when purchased. Assets donated are recorded at fair market value when received. Depreciation is calculated on a straight-line basis over the estimated useful life of the respective depreciable asset, depreciation expense for the year was \$268,588. Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings	13,130,146			13,130,146
Improvements	1,527,014			1,527,014
Sewer Line Improvements	5,618,436			5,618,436
Machinery and Equipment	669,224			669,224
Total Capital Assets	20,944,820			20,944,820
Accumulated Depreciation	(15,988,200)	(268,588)		(16,256,788)
Net Capital Assets	<u>\$ 4,956,620</u>			<u>\$ 4,688,032</u>

#### **Note 4 – Net Assets**

Net assets is generally displayed in three components:

- a. *Investment in Capital Assets, Net of Related Debt* – 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 Assets* – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation. The Authority currently has no restricted net assets.
- c. *Unrestricted Net Assets* – All other net assets that does not meet the definition of restricted or net investment is capital assets.

#### **Note 5 – Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial

statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### **Note 6 – Risk Management**

The Authority is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority manages this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Events that might create claims, but for which none have been reported, are considered in determining claims.

#### **Note 7 – Fair Value of Financial Instruments**

The definition of fair value for financial reporting establishes a fair value framework which uses a hierarchy for categorizing the inputs used in determining the fair value of an asset or liability. The level of the fair value hierarchy is required to be disclosed for each class of assets and liabilities measured at fair value.

The hierarchy consists of the following outputs:

Level 1: Quotes prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than the quoted prices included in Level 1;

Level 3: Unobservable inputs.

The Authority's financial instruments include cash and cash equivalents, certificates of deposit. The Authority's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying value of these financial instruments approximates fair value because of their short maturity, and therefore all financial instruments are categorized as Level 1 in the hierarchy.

#### **Note 8 – Contingencies**

As of June 30, 2022 the Authority did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

#### **Note 9 – Evaluation of Subsequent Events**

The Authority has evaluated subsequent events through October 26, 2022, the date which the financial statements were available to be issued.

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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 Trustees  
Bethany-Warr Acres  
Public Works Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Bethany-Warr Acres Public Works Authority, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Bethany-Warr Acres Public Works Authority's basic financial statements, and have issued our report thereon dated October 26, 2022.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bethany-Warr Acres Public Works Authority's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bethany-Warr Acres Public Works Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bethany-Warr Acres Public Works Authority's internal control.

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

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Bethany-Warr Acres Public Works Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

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

Oklahoma City, Oklahoma  
October 26, 2022