

**INDEPENDENT  
ACCOUNTANT'S AUDIT REPORT**

**ELMORE CITY  
PUBLIC WORKS AUTHORITY**

**JUNE 30, 2024**

BY



**FURRH  
& ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**For the Fiscal Year Ended June 30, 2024**

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**FURRH**  
**& ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

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, 2024, and the related notes to the 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 Elmore City Public Works Authority of the City of Elmore City, Oklahoma, as of June 30, 2024 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 for Opinion

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 Elmore City Public Works Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter – 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 – Exclusive Presentation**

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 Town of Elmore City, Oklahoma, as of June 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with the modified cash basis of accounting. Our opinion is 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about Elmore City Public Works Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **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 opinion. 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 and *Government 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 Elmore City 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, which raise substantial doubt about Elmore City 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 Information**

Management is responsible for the other information included in the Management Discussion and Analysis. The other information comprises the introductory and financial sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In our connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appear to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2024, 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  
September 18, 2024

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2024**

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, 2023. 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 \$168,264 and the assets of the Authority exceed its liabilities for the year ended June 30, 2024, by \$2,428,425 (net position).
- For the year ended June 30, 2024, unrestricted net position on a modified cash basis for the Authority was \$689,224 or 129.4% 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 11-17 of this report.

**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.

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2024**

**NET POSITION (in Thousands)**

	<b>Elmore City Public Works Authority</b>		
	<u>2024</u>	<u>2023</u>	<u>% Incr / (Decr)</u>
Total Assets	<u>\$ 4,027</u>	<u>\$ 3,782</u>	6%
Total Liabilities	<u>\$ 1,599</u>	<u>\$ 1,522</u>	5%
Net Position			
Net Investment in Capital Assets	1,711	1,628	5%
Restricted	28	24	17%
Unrestricted	<u>689</u>	<u>608</u>	13%
Total Net Position	<u>\$ 2,428</u>	<u>\$ 2,260</u>	7%

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

	<b>Elmore City Public Works Authority</b>		
	<u>2024</u>	<u>2023</u>	<u>% Incr / (Decr)</u>
Revenues			
Charges for Services	\$ 533	\$ 544	-2%
Investment Income	<u>2</u>	<u>0</u>	100%
Total Revenues	<u>\$ 535</u>	<u>\$ 544</u>	-2%
Expenses			
Administration	34	65	-48%
Water	138	161	-14%
Sewer	44	31	42%
Sanitation	70	72	-3%
Depreciation Expense	140	137	2%
Interest Expense	<u>26</u>	<u>25</u>	4%
Total Expenses	<u>452</u>	<u>491</u>	-8%
Excess (deficiency) before transfers	83	53	57%
Transfers	<u>85</u>	<u>0</u>	100%
Change in Net Position	168	53	217%
Beginning net position	<u>2,260</u>	<u>2,207</u>	2%
Ending net position	<u>\$ 2,428</u>	<u>\$ 2,260</u>	7%

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2024**

Administration and Water expenses decreased 48% and 14%, respectfully, due to a decrease in general operational expenses. Transfers increased \$85,000 over prior year due to capital assets purchased by the Town and transferred to the Authority.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2024, the Authority had \$3,077,228 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 \$35,704 over last year.

**CAPITAL ASSTS (in Thousands)**  
**(Net of accumulated depreciation)**

	<b>Elmore City Public Works Authority</b>	
	<u>2024</u>	<u>2023</u>
Building	\$ 153	\$ 0
Vehicles	46	32
Machinery and Equipment	87	80
Infrastructure	<u>4,267</u>	<u>4,267</u>
Totals	4,553	4,379
Less Accumulated Depreciation	<u>(1,476)</u>	<u>(1,337)</u>
Totals, Net	<u><u>\$ 3,077</u></u>	<u><u>\$ 3,042</u></u>

The Authority purchased buildings totaling \$153,623 and a vehicle in the amount of \$14,500 and other water equipment during the current fiscal year.

**Long-term Debt**

At year-end, the Authority had \$1,541,280 in long-term debt outstanding, reported on a modified cash basis, a \$42,620 increase from the prior year.



**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2024**

	<b>Elmore City Public Works Authority</b>	
	<u>2024</u>	<u>2023</u>
Notes Payable	\$ 1,541	\$ 1,499
Totals	<u>\$ 1,541</u>	<u>\$ 1,499</u>

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

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

- There are no utility rate increases planned, therefore, 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, 2024

#### ASSETS

##### Current Assets

Cash and Cash Equivalents	\$	791,440	
Restricted Cash and Cash Equivalents		158,834	
Total Current Assets			\$ 950,274

##### Non-current Assets

Capital Assets		4,553,609	
Other capital assets, net of accum. depr.		(1,476,381)	
Net Fixed Assets			3,077,228
Total Assets			\$ 4,027,502

#### LIABILITIES AND NET POSITION

##### Current Liabilities

Current Portion of Notes Payable	\$	34,153	
Due to Town		32,304	
Total Current Liabilities			\$ 66,457

##### Long-Term Liabilities

Refundable Meter Deposits		25,493	
Notes Payable, net of current portion		1,507,127	
Total Long Term Liabilities			1,532,620
Total Liabilities			1,599,077

##### Net Position

Net Investment in Capital Assets		1,710,870	
Restricted for Debt Service		28,331	
Unrestricted		689,224	
Total Net Position			2,428,425
Total Liabilities and Net Position			\$ 4,027,502

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, 2024**

**Operating Revenue**

Water Revenue	\$ 281,673	
Sewer Revenue	148,385	
Sanitation Revenue	75,273	
Miscellaneous Revenue	<u>27,412</u>	
Total Operating Revenue		\$ 532,743

**Operating Expense**

Depreciation	139,660	
Water	138,485	
Sanitation Services	70,005	
Sewer	43,690	m+A1
General and Administration	<u>33,734</u>	
Total Operating Expense		<u>425,574</u>

Net Operating Income / (Loss)	107,169
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**Nonoperating Revenue (Expense)**

Investment Income	1,896	
Interest Expense	<u>(25,772)</u>	
Total Nonoperating Revenue (Expense)		<u>(23,876)</u>

Income / (Loss) before Transfers	83,293
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**Transfers**

Transfers In	97,847	
Transfers Out	<u>(12,876)</u>	
Total Transfers In / (Out)		<u>84,971</u>

Change in Net Position	168,264
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Net Position, June 30, 2023	<u>2,260,161</u>
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Net Position, June 30, 2024	<u><u>\$ 2,428,425</u></u>
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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, 2024

#### **Cash Flows from Operating Activities**

Cash Received from Customers	\$ 532,743	
Cash Paid for Salaries and Related Costs	(117,428)	
Cash Paid for Supplies	(168,486)	
Interfund receipts/payments	34,284	
Receipts/(Refunds) of customer utility deposits	2,250	
Net Cash Provided by Operating Activities		\$ 283,363

#### **Cash Flows from Noncapital Financing Activities**

Net Transfers from/(to) other funds	84,971	
Net Cash Provided by Investing Activities		84,971

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

Purchase of Capital Assets	(175,364)	
Proceeds from Debt	75,000	
Interest Expense	(25,772)	
Principal paid on debt	(32,364)	
Net Cash Used by Capital Financing Activities		(158,500)

#### **Cash Flows from Investing Activities**

Interest Income	1,896	
Net Cash Provided by Investing Activities		1,896

Net Increase in Cash and Cash Equivalents 211,730

Cash and Cash Equivalents, June 30, 2023 738,544

Cash and Cash Equivalents, June 30, 2024 \$ 950,274

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

Net Operating Income / (Loss) 107,169

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

Depreciation	\$ 139,660	
Decrease in Due from Town	1,980	
Increase in Due to Town	32,304	
Increase in Meter Deposit Liability	2,250	
Total Adjustments		176,194
Net Cash Provided by Operating Activities		\$ 283,363

Please see accompanying notes to financial statements.

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2024**

**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 and Measurement Focus**

**Basis of Accounting**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. These 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, 2024**

**Measurement Focus**

Proprietary funds report using the economic resources measurement focus. The fund's operating statement includes all transactions and events that increase or decrease net position.

**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. Interfund Activities and Balances**

Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. The Town's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid grossing up balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfer and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

# Elmore City Public Works Authority

Elmore City, Oklahoma

Notes to Financial Statements

Year Ended June 30, 2024

## F. Inventories

Inventories of goods and supplies on hand at year end are not material for the Public Works Authority. Therefore, purchases of inventory type items are recorded as expenditures or expenses at the time purchased, and no balances for such inventories on hand are reported.

## G. Long Term Debt

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

## H. 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 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

## I. Recent Accounting Pronouncements

- In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2024**

Town adopted GASB 87 on July 1, 2023, for the June 30, 2024, reporting year. The adoption of GASB 87 did not have a significant impact on the financial statements.

- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides accounting and financial reporting guidance for the governmental end users of subscription-based information technology arrangements (SBITAs). GASB 96 defines an SBITA, establishes right-to-use assets and corresponding liabilities, and provides capitalization criteria and the note disclosures required for SBITAs. The Town adopted GASB 96 on July 1, 2023, for the June 30, 2024, reporting year. The adoption of GASB 96 did not have a significant impact on the financial statements.
- In April 2022, GASB issued Statement No. 99, *Omnibus 2022* (GASB 99). GASB 99 is a technical omnibus statement that addresses issues or concerns from previous statements that were discovered during implementation and application of those statements. GASB 99 covers several topics including but not limited to, financial guarantees, derivatives, leases, non-monetary transactions, future revenue pledges and terminology updates. The Town adopted the sections that were effective immediately on July 1, 2022, for the June 30, 2023, reporting year. The remaining sections were adopted by the Town for the June 30, 2024, reporting year, as required by GASB 99. The Town does not expect GASB 99 to have a significant impact on the financial statements.

J. Concentration of Credit Risk

All users of the Town's utility services are located within the same geographic area within Garvin, County, Oklahoma.

K. Budget

The Authority's budget represents appropriations originally authorized and any subsequent revisions that were officially adopted during the fiscal year. The Authority's budget is also prepared under the modified cash basis of accounting. In accordance with Oklahoma law, all remaining unexpended appropriations lapse at year end.

L. Program Revenues

Charges for services include revenues based on exchange or exchange-like transactions, namely charges for utility services provide by the Town. Program specific grants and contributions (operations and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program, namely donations received from third-parties or state grants received for programs operations.



**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2024**

M. Related Party Transactions

There were no material related party transactions with Town officials or employees during the year ended June 30, 2024.

N. Use of Estimates

The preparation of the basic financial statements in conformity with the modified cash basis of accounting requires the Authority's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and/or amounts of reported revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

Cash Deposits

The Authority's proprietary funds' cash deposits consist of checking accounts. These deposits are stated at cost. The City is authorized by state statute to invest in obligations of the United States of America.

For the year ended June 30, 2024, the Authority recognized \$1,896 of investment income.

At June 30, 2024, the Authority held the following deposits and investments

<u>Type</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
<b>Deposits: Demand Deposits</b>		\$ 950,274
Total Deposit and Investments		<u>\$ 950,274</u>
<b>Reconciliation to Statement of Net Position</b>		
Cash and cash equivalents		\$ 791,440
Restricted cash and investments		<u>158,834</u>
		<u>\$ 950,274</u>

*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 does not have a formal investment policy as it relates to custodial credit risk. Acceptable collateral is limited to U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Notes to Financial Statements**  
**Year Ended June 30, 2024**

pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

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, 2024, the Authority was not exposed to custodial credit risk as defined above.

*Investment Interest Rate Risk* - State law limits the investments available to the Authority and is described below.

- 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 of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with instate 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.
- 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., b., c. and d.

Investment credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The Authority has no formal policy limiting investments based on credit rating but discloses any such credit risk associated with their investments by reporting the credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations rating agencies. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

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**Elmore City, Oklahoma**  
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If applicable, the Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets identical assets; Level 2 inputs are significant other observable inputs. The valuations for Level 2 measurements are determined using quoted prices for similar assets or liabilities in active markets; Level 3 inputs are significant unobservable inputs. The Authority currently has no investments in Certificate of Deposits.

**Note 3 – 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, 2024, are as follows:

The restricted assets as of June 30, 2024 were as follows:

USDA short lived asset account	\$ 101,257
Meter Deposits Funds	29,246
USDA debt service reserve account	28,331
Total Cash in Bank	<u>\$ 158,834</u>

**Note 4 – Capital Assets and Depreciation**

For the year ended June 30, 2024, capital assets balances changed as follows:

	Balance at 07/01/2023	Additions	Disposals	Balance at 06/30/2024
<b><i>Business-type activities:</i></b>				
Other Capital assets				
Buildings	\$ 0	\$ 153,623	\$ 0	\$ 153,623
Vehicles	31,700	14,500	0	46,200
Machinery and equipment	80,021	7,241	0	87,262
Infrastructure	4,266,524	0	0	4,266,524
Total other capital assets at historical costs	<u>4,378,245</u>	<u>175,364</u>	<u>0</u>	<u>4,553,609</u>
Less accumulated depreciation for:				
Buildings	0	2,134	0	2,134
Vehicles	27,875	1,383	0	29,258
Machinery and equipment	58,928	5,629	0	64,557
Infrastructure	1,249,918	130,514	0	1,380,432
Total other capital assets at historical costs	<u>1,336,721</u>	<u>139,660</u>	<u>0</u>	<u>1,476,381</u>
Other capital assets, net	<u>3,041,524</u>	<u>35,704</u>	<u>0</u>	<u>3,077,228</u>
Business-type activities capital assets, net	<u>\$ 3,041,524</u>	<u>\$ 35,704</u>	<u>\$ 0</u>	<u>\$ 3,077,228</u>

**Elmore City Public Works Authority**  
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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	\$ 138,960
Sewer	<u>700</u>
	<u>\$ 139,660</u>

**Note 5 – Accounts Receivable**

Generally Accepted Accounting Principles recognizes accounts receivable from utility services that have been billed as of June 30, 2024, but not yet paid as of the end of the period. Elmore City PWA reports on the modified cash basis and therefore does not record an accounts receivable amount on their financial statements.

**Note 6 – Long-Term Debt and Debt Service Requirements**

For the year ended June 30, 2024, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance as of July 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance as of June 30, 2024</u>	<u>Due Within One Year</u>
<b>Business-Type Activities:</b>					
USDA Loan	\$ 1,498,660	\$ 0	\$ 31,045	\$ 1,467,615	\$ 31,519
Note Payable	<u>0</u>	<u>75,000</u>	<u>1,335</u>	<u>73,665</u>	<u>2,634</u>
Total Long-Term Debt	<u>\$ 1,498,660</u>	<u>\$ 75,000</u>	<u>\$ 32,380</u>	<u>\$ 1,541,280</u>	<u>\$ 34,153</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.

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\$75,000 note payable, dated February 6, 2024, due in quarterly installments through November 10, 2027, with interest at 8.5%, secured by the property being purchased. In the event of default, the lender may pursue any remedy available und any related documents, at law or in equity.

	USDA Loan	\$ 1,467,615
	Note Payable	<u>73,665</u>
Total Notes Payable-Direct Borrowings/Placements		<u>\$ 1,541,280</u>
Current Portion		\$ 34,153
Non-Current Portion		<u>1,507,127</u>
		<u>\$ 1,541,280</u>

Payment Requirements to Maturity:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 34,153	\$ 29,966	\$ 64,119
2026	34,904	29,214	64,118
2027	35,684	28,435	64,119
2028	98,072	24,960	123,032
2029	33,635	21,517	55,152
2030-2034	176,567	99,193	275,760
2035-2039	191,518	84,242	275,760
2040-2044	207,701	68,059	275,760
2045-2049	225,333	50,427	275,760
2050-2054	244,411	31,349	275,760
2055-2059	<u>259,302</u>	<u>10,650</u>	<u>269,952</u>
Total	<u>\$ 1,541,280</u>	<u>\$ 478,012</u>	<u>\$ 2,019,292</u>

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 \$1,924,512. Pledged net water, and sewer revenues were \$247,883. Debt service payments of \$55,152 for the current fiscal year were 22.3% of pledged net water and sewer revenues.

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
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**Year Ended June 30, 2024**

**Note 7 – 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 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 8 – Employee Retirement Plan Participation**

As of June 30, 2024, the Authority was not participating in any retirement plans.

**Note 9 – Commitments and Contingencies**

*Compensated Absences:*

Under terms of the Authority's personnel policies, Town employees are granted comp time, vacation and sick leave in varying amounts. 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. Those benefits utilized in the current year are recorded through payroll. The following is the change in the compensated absences commitment as of June 30, 2024:

<b>Compensated Absences</b>		
		% Incr /
2024	2023	(Decr)
<u>\$ 9,304</u>	<u>\$ 8,322</u>	11%

*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

**Elmore City Public Works Authority**  
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**Year Ended June 30, 2024**

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 10 – Concentrations and Constraints**

GASB Statement No. 102 addresses financial reporting for certain risks that governments face. Certain conditions exist that make a government vulnerable to those risks; that is, they expose the government to a heightened possibility of loss or harm by limiting its ability to acquire resources or control spending.

As of the date the financial statements were issued, management was unaware of any concentrations or constraints that would have a substantial impact on the financial statements.

**Note 11 – Subsequent Events**

Subsequent events were evaluated through September 18, 2024, which is the date the financial statements were available to be issued.



**FURRH**  
**& ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

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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***

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, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 18, 2024.

**Report on 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.

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. Findings 2024-1 and 2024-2.



## **Report on 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  
September 18, 2024

**Elmore City Public Works Authority**  
**Elmore City, Oklahoma**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2024**

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

**2024-1     Segregation of Duties (repeat finding)**

Condition – Lack of 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 town 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.

**2024-2     Lack of Late Payment Penalty Charging**

Condition – Late payment penalties are not being properly assessed for customers.

Effect – The Town did not receive revenue.

Cause – Due to lack of board oversight, established ordinances are not being followed for the collection of late payments.

Criteria – Board approved Town Ordinance.

Recommendation – We recommend that established ordinances are properly followed.

Management response – Management will review and make appropriate changes.