

BARNSDALL OKLAHOMA PUBLIC WORKS AUTHORITY

Barnsdall, Oklahoma

FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

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**BARNSDALL OKLAHOMA PUBLIC WORKS AUTHORITY
BARNSDALL, OKLAHOMA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Barnsdall Oklahoma Public Works Authority
Barnsdall, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the business-type activities of the Barnsdall Oklahoma Public Works Authority (the "Authority"), a component unit of the City of Barnsdall, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic 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.B.; 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 Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on Business-Type Activities

As discussed in Note 3 to the financial statements, management has not recorded fixed assets at historical cost and, accordingly, has not recorded depreciation expense on those assets. The modified cash basis of accounting requires that those fixed assets be capitalized and depreciated, which would increase the assets,

net position, and expenses of the business-type activities. The amount by which this departure would affect the assets, net position, and expenses of the business-type activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Business-Type Activities” paragraph, the financial statements referred to above do not present fairly the modified cash basis financial position of the business-type activities of the Barnsdall Oklahoma Public Works Authority, a component unit of the City of Barnsdall, Oklahoma, as of June 30, 2018, or the changes in modified cash basis financial position or cash flows thereof for the year then ended in accordance with the modified cash basis of accounting, described in Note 1.B.

Basis of Accounting

We draw attention to Note 1.B. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2018, on our consideration of the Barnsdall Oklahoma Public Works Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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 Barnsdall Oklahoma Public Works Authority’s internal control over financial reporting and compliance.



Bruce G. Luttrell, CPA, PC

October 2, 2018

FUND FINANCIAL STATEMENTS

**BARNSDALL OKLAHOMA PUBLIC WORKS AUTHORITY
BARNSDALL, OKLAHOMA**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2018 and 2017**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 57,183	\$ 69,770
Investments	-	-
Total current assets	<u>57,183</u>	<u>69,770</u>
Noncurrent assets:		
Land	20,000	20,000
Property and Equipment	1,929,637	1,856,741
Less: Accumulated depreciation	(806,448)	(769,661)
Total noncurrent assets	<u>1,143,189</u>	<u>1,107,080</u>
Total Assets	<u>\$ 1,200,372</u>	<u>\$ 1,176,850</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	\$ -	\$ -
Current portion of long-term debt	85,329	78,378
Total current liabilities	<u>85,329</u>	<u>78,378</u>
Noncurrent liabilities:		
Notes payable	819,463	821,745
Less: current portion	(85,329)	(78,378)
Refundable deposits	42,477	33,724
Total noncurrent liabilities	<u>776,611</u>	<u>777,091</u>
Total liabilities	<u>861,940</u>	<u>855,469</u>
 NET POSITION		
Invested in capital assets, net of related debt	323,726	285,335
Restricted	-	-
Unrestricted	14,706	36,046
Total net position	<u>\$ 338,432</u>	<u>\$ 321,381</u>

The accompanying notes to the financial statements are an integral part of this statement

**BARNSDALL OKLAHOMA PUBLIC WORKS AUTHORITY
BARNSDALL, OKLAHOMA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2018 and 2017**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Operating revenues:		
Water	\$ 384,538	\$ 390,093
Sewer	107,572	109,828
Trash	96,798	108,639
Other	1,002	58
Total operating revenues	<u>589,910</u>	<u>608,618</u>
Operating expenses:		
Water	353,654	379,351
Sewer	36,595	37,378
Trash services	103,025	103,566
Depreciation	36,787	34,976
Total operating expenses	<u>530,061</u>	<u>555,271</u>
Net operating income	<u>59,849</u>	<u>53,347</u>
Nonoperating revenue (expense)		
Donation	-	37,900
Interest income	118	210
Interest expense	(28,033)	(35,637)
Total nonoperating revenue (expense)	<u>(27,915)</u>	<u>2,473</u>
Net income before transfers	31,934	55,820
Operating transfers: In	-	-
Operating transfers: Out	<u>(14,883)</u>	<u>(17,000)</u>
Change in net position	17,051	38,820
Net position beginning of year	<u>321,381</u>	<u>282,561</u>
Net position end of year	<u>\$ 338,432</u>	<u>\$ 321,381</u>

The accompanying notes to the financial statements are an integral part of this statement.

**BARNSDALL OKLAHOMA PUBLIC WORKS AUTHORITY
BARNSDALL, OKLAHOMA**

**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2018 and 2017**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Cash flows from operating activities:		
Cash received from customers	\$ 589,910	\$ 608,618
Cash payment expenses	(484,521)	(520,295)
Net cash provided (used) by operating activities	<u>105,389</u>	<u>88,323</u>
Cash flows from noncapital financing activities:		
Donation	-	37,900
Operating transfers in	-	-
Operating transfers out	(14,883)	(17,000)
Net cash provided (used) by noncapital financing activities	<u>(14,883)</u>	<u>20,900</u>
Cash flows from capital and related financing activities:		
Capital expenditures	(72,896)	(204,671)
New long term debt	240,240	246,823
Principal paid on debt	(242,522)	(97,717)
Interest paid on debt	(28,033)	(35,637)
Net cash provided (used) by capital and related financing activities	<u>(103,211)</u>	<u>(91,202)</u>
Cash flows from investing activities:		
Interest income	<u>118</u>	<u>210</u>
Net increase (decrease) in cash and cash equivalents	(12,587)	18,231
Cash balance beginning of year	<u>69,770</u>	<u>51,539</u>
Cash balance end of year	<u><u>\$ 57,183</u></u>	<u><u>\$ 69,770</u></u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 59,849	\$ 53,347
Depreciation	36,787	34,976
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
Accrued revenue receivable	-	-
Accrued interest receivable	-	-
Accrued interest payable	-	-
Refundable deposits	8,753	-
Net cash provided by operating activities	<u><u>\$ 105,389</u></u>	<u><u>\$ 88,323</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

BARNSDALL OKLAHOMA PUBLIC WORKS AUTHORITY
Barnsdall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 1.B., these financial statements, for the Barnsdall Oklahoma Public Works Authority (the Authority), are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB.) These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting

1.A. FINANCIAL REPORTING ENTITY

The Barnsdall Oklahoma Public Works Authority (the “Authority”) is a public trust created under a Trust Indenture dated February 6, 1979, for the use and benefit of the City of Barnsdall, Oklahoma, under authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 2003, Sections 176 to 180.3, inclusive as amended and supplemented, the Oklahoma Trust Act and other applicable statutes of the State of Oklahoma (collectively, the “Acts”).

The Authority is exempt from federal and state income taxes.

The governing body of the Authority is governed by three trustees who are the same persons constituting the members of the City Council of the City of Barnsdall. The City Clerk also serves as a non-voting Secretary.

The Barnsdall Oklahoma Public Works Authority is considered a component unit of the City of Barnsdall, Oklahoma. In evaluating how to define the Authority, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic (but not the only) criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility included, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Authority and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Authority and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the Authority is able to exercise oversight responsibilities.

Based upon the application of these criteria, there are no potential component units included in the Authority’s reporting entity. And, the Barnsdall Oklahoma Public Works Authority is considered a component unit of the City of Barnsdall.

BARNSDALL OKLAHOMA PUBLIC WORKS AUTHORITY
Barnsdall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.B. BASIS OF PRESENTATION

The Authority accounts for operations that are financed and operated in a manner similar to a private business enterprise, with the intent of the governing body that the costs, including depreciation, of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

The statements of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for certain modifications that have substantial support in generally accepted accounting principles. The Authority has chosen to include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

As a result of the Authority's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid, are not reflected in the financial statements as liabilities, but are normally reported as a commitment disclosure.

1.C. BUDGETS AND BUDGETARY ACCOUNTING

The Authority adopted a budget, as part of the City of Barnsdall's budget for the year ended June 30, 2018.

1.D. ASSETS, LIABILITIES, AND FUND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, "cash and cash equivalents" include all cash on hand, demand deposits and highly liquid investments with an original maturity of three months or less when purchased, and money market accounts.

Custodial Credit Risk Deposits – Custodial credit risk is the risk that in the event of a bank failure, the

BARNSDALL OKLAHOMA PUBLIC WORKS AUTHORITY
Barnsdall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2018

1.D. ASSETS, LIABILITIES, AND FUND EQUITY (continued)

Authority's deposits may not be returned to it. The Authority's cash deposits are maintained by the trustee bank's trust department, and are covered by FDIC insurance.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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.

Public trusts created under O.S. Title 60 are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2018, the Authority complied, in all material respects, with these investment restrictions.

The deposits and investments held at June 30, 2018, are as follows:

Type	Maturity (Months)	Credit Rating	Market Value	Cost
Cash Deposits	N/A	N/A	57,182.79	57,182.79
Investments	N/A	N/A	-	-
Total Deposits and Investments			57,182.79	57,182.79

PROPERTY TAX REVENUES

The Authority is not authorized by state law to levy taxes.

INVENTORIES

The Authority does not place a value on any of its inventory for financial statement purposes; consequently, materials, supplies, and replacement parts are not included as assets, and the cost of these items has been charged against income as repairs and maintenance expense at the time of purchase. Expenditures for major renewals and betterments which extend the useful lives of property and equipment are capitalized.

EQUITY CLASSIFICATION

Net position is displayed in two components:

- a. *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, or 2) law through constitutional provisions or enabling legislation
- b. *Unrestricted net position* – All remaining net position that does not meet the definition of “restricted”

The Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within

BARNSDALL OKLAHOMA PUBLIC WORKS AUTHORITY
Barnsdall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2018

1.D. ASSETS, LIABILITIES, AND FUND EQUITY (continued)

unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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, 2018, is summarized as follows:

- BPWA – accrued compensated absences - \$ 1,148

1.E. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

1.F. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis 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 2. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2018.

NOTE 3. CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Detail fixed asset records at historical cost have not been maintained of such assets which are still in service for the Authority. The modified cash basis of accounting requires that these assets be capitalized, and the related depreciation be recorded, which would increase the assets and expenses of the activities.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided

BARNSDALL OKLAHOMA PUBLIC WORKS AUTHORITY
Barnsdall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 3. CAPITAL ASSETS (continued)

over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$ 2,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Utility property and improvements	20-40
Infrastructure	40

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

<i>Business-type activities:</i>	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	20,000			20,000
Total capital assets not being depreciated	20,000			20,000
Other capital assets:				
Water system	1,856,741	72,896		1,929,637
Total other capital assets at historical cost	1,856,741	72,896		1,929,637
Less accumulated depreciation for:				
Water system	769,661	36,787		806,448
Total accumulated depreciation	769,661	36,787		806,448
Other capital assets, net	1,087,080	36,109		1,123,189
Business-type activities capital assets, net	1,107,080	36,109		1,143,189

NOTE 4. GENERAL LONG-TERM DEBT

As of June 30, 2018, the long-term debt payable from proprietary fund resources consisted of the following:

Notes Payable:

<ul style="list-style-type: none"> • In October 2010, the Authority entered into a loan with a local bank, for \$ 924,451. The note carries interest at 4.25 %. Monthly payments are \$ 6,954.44, and the note is for a period of 15 years 	\$ 531,195.68
<ul style="list-style-type: none"> • In December 2016, the Authority entered into a loan with a local bank, for \$ 60,822.67. The note carries interest at 4.25 %. Monthly payments are \$ 458.68, and the note is for a period of 15 years 	56,339.62
<ul style="list-style-type: none"> • In January 2018, the Authority entered into a loan with a local bank, for \$ 240,240. The note carries interest at 4.25 %. Monthly payments are \$ 2,460.96, and the note is for a period of 10 years 	231,927.47
Total Notes Payable	\$ 819,462.77

BARNSDALL OKLAHOMA PUBLIC WORKS AUTHORITY
Barnsdall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 4. GENERAL LONG-TERM DEBT (continued)

Refundable Deposits:

- Refundable deposits reported as a liability within the Statement of Net Assets are composed of the following:

Utility Deposits – Refundable	\$ 42,476.96
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CHANGES IN LONG-TERM DEBT

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amount Due Within One Year
Business-Type Activities:					
Local Bank – \$ 924,451 loan	590,330		59,134	531,196	62,126
Local Bank – \$ 60,822 loan	59,305		2,965	56,340	3,149
Local Bank – \$ 186,000 loan	172,109		172,109	-	-
Local Bank – \$ 240,240 loan	-	240,240	8,313	231,927	20,053
Refundable deposits	33,724	14,600	5,847	42,477	42,477
Total Business-Type Activities	855,468	254,840	248,368	861,940	127,805

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements for retirements of loan principal and payment of interest are as follows:

Year Ended June 30,	\$ 924,451 Loan		\$ 60,822 Loan		\$ 240,240 Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	62,126	21,327	3,149	2,356	20,053	9,478
2020	64,818	18,635	3,288	2,217	20,923	8,609
2021	67,626	15,827	3,431	2,074	21,829	7,702
2022	70,558	12,895	3,582	1,923	22,775	6,756
2023	73,615	9,838	3,738	1,767	23,762	5,769
2024-2028	192,452	10,332	21,293	6,234	122,585	12,764
2029-2033	-	-	17,859	1,410	-	-
Total	531,195	88,854	56,340	17,981	231,927	51,078

BARNSDALL OKLAHOMA PUBLIC WORKS AUTHORITY
Barnsdall, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 2, 2018, which is the date the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

**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
Barnsdall Oklahoma Public Works Authority
Barnsdall, 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 Barnsdall Oklahoma Public Works Authority, a component unit of the City of Barnsdall, Oklahoma, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Barnsdall Oklahoma Public Works Authority's basic financial statements and have issued our report thereon dated October 2, 2018. Our report included an emphasis-of-matter paragraph related to the Authority's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our report on the business-type activities was qualified due to the omission of fixed assets and related depreciation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Barnsdall Oklahoma 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Barnsdall Oklahoma Public Works Authority's, internal control. Accordingly, we do not express an opinion on the effectiveness of the Barnsdall Oklahoma 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 Barnsdall Oklahoma 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.



Bruce G. Luttrell, CPA, PC

October 2, 2018