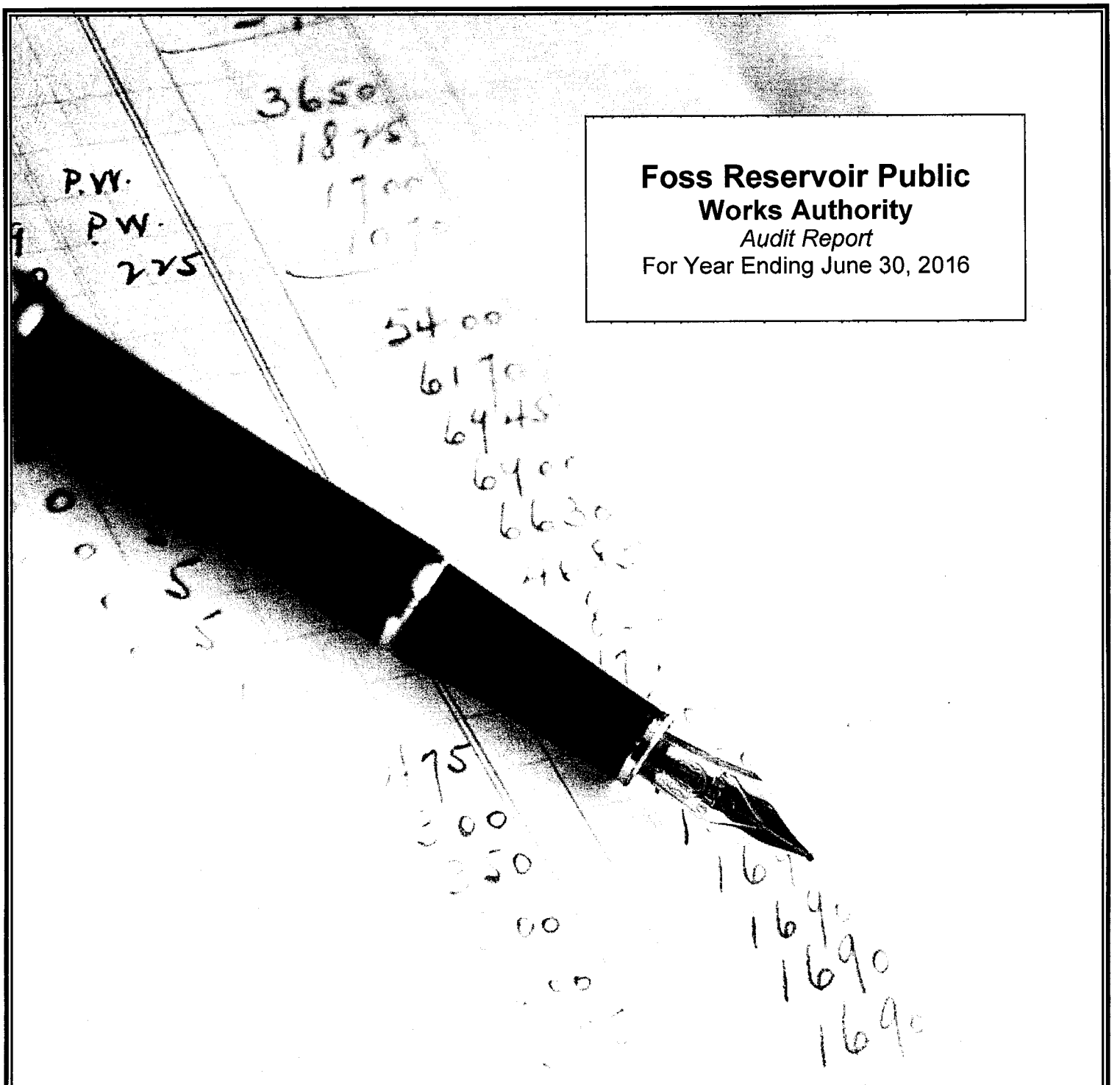

Foss Reservoir Public Works Authority

Audit Report

For Year Ending June 30, 2016

Scott Northrip, CPA
P.O. Box 642
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SCOTT NORTHRIP, CPA

P.O. Box 642, Hobart, Oklahoma 73651

Independent Auditor's Report

To The Board of Trustees of
Foss Reservoir Public Works Authority

I have audited the basic financial statements of Foss Reservoir Public Works Authority (Authority), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance accounting principle generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Member: American Institute of CPA's and Oklahoma Society of CPA's

Auditor's Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Foss Reservoir Public Works Authority, as of June 30, 2016 and 2015, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* I have also issued my report dated October 28, 2016, on my consideration of the Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

Scott Northrip, CPA

Scott Northrip
Certified Public Accountant

October 28, 2016

Foss Reservoir Public Works Authority

Statement of Net Position

As of June 30, 2016 and 2015

ASSETS:	2016	2015
Current Assets:		
Cash & Cash Equivalents (Note 7)	$ 419,208	$ 503,390
Accounts Receivable (Note 2)		-
Total Current Assets	$ 419,208	$ 503,390
Noncurrent Assets:		
Construction in Progress	$ -	$ -
Capital Assets: (Note 6)		
Other Capital Assets, net of depreciation	-	-
Total Noncurrent Assets	$ -	$ -
TOTAL ASSETS	**$ 419,208**	**$ 503,390**
LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts Payable	$ -	$ -
Interest Payable	-	-
Current Portion of Long-term Liabilities	-	-
Total Current Liabilities	$ -	$ -
Long-Term Liabilities: (Note 8)		
Notes Payable - net of current portion	$ -	$ -
Net Position:		
Restricted Fund Balance (Note 5)	$ 1,430,000	$ 1,430,000
Unrestricted Fund Balance	(1,010,792)	(926,610)
Total Net Position	$ 419,208	$ 503,390
TOTAL LIAB. AND NET POSITION	**$ 419,208**	**$ 503,390**

See accompanying notes to the financial statements.

Foss Reservoir Public Works Authority

Combined Statement of Activities & Fund Balance
For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING REVENUES:		
Rent Income	$ 417,375	$ 517,862
Ionics Refunds	-	-
Miscellaneous Revenues	600	600
Total Operating Revenues	**$ 417,975**	**$ 518,462**
OPERATING EXPENSES:		
Salaries	$ 366,817	$ 338,908
Depreciation Expense	-	-
Insurance	50,914	50,557
Payroll Taxes	27,956	25,927
Pension Plan Expense	48,016	47,867
Professional Fees	5,694	5,510
Supplies	3,410	3,254
Director's Fees	-	-
Bank Charges	131	255
Secretary Expense	720	720
Miscellaneous Expense	-	-
Total Operating Expenses	**$ 503,658**	**$ 472,998**
OPERATING INCOME (LOSS)	**$ (85,683)**	**$ 45,464**
OTHER REVENUES (EXPENSES):		
Interest Revenues	$ 1,501	$ 1,495
Transfer from Foss Res. PWA	-	-
Total Other Revenues(Expenses)	$ 1,501	$ 1,495
NET INCOME	**$ (84,182)**	**$ 46,959**
Fund Balance:		
Beginning Balance	503,390	456,431
Prior Period Adjustments (Note 9)	-	-
Fund Balance - Ending	**$ 419,208**	**$ 503,390**

See accompanying notes to the financial statements.

Foss Reservoir Public Works Authority

Comparative Statement of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 417,375	$ 517,862
Receipts from others	600	600
Payments to suppliers	(9,955)	(9,739)
Payments to employees & benefits	(493,703)	(463,259)
Net Cash Provided by Operating Activities	**$ (85,683)**	**$ 45,464**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	$ -	$ -
Payments for Construction in Progress	-	-
Proceeds from Grants	-	-
Principal payments on notes payable	-	-
Interest paid on notes payable	-	-
Transfer from Foss Reservoir PWA	-	-
Proceeds from sale of assets	-	-
Net Cash Used In Capital & Related Financing Activities	**$ -**	**$ -**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Receipts	$ 1,501	$ 1,495
Net Cash Provided from Investing Activities	**$ 1,501**	**$ 1,495**
INCREASE (DECREASE) IN CASH AND INVESTMENTS	**$ (84,182)**	**$ 46,959**
Cash and Investment Balance - Beginning	503,390	456,431
CASH AND INVESTMENT BALANCE - ENDING	**$ 419,208**	**$ 503,390**
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$ (85,683)	$ 45,464
Adjustments to reconcile operating income to net cash provided (used) by Operating Activities:		
Interest Expense	-	-
Depreciation expense	-	-
Change in current assets and liabilities:		
Accounts Receivable	-	-
Accounts Payable	-	-
Net Cash Provided from Operating Activities	$ (85,683)	$ 45,464

See accompanying notes to the financial statements.

Foss Reservoir Public Works Authority

Notes to the Financial Statements
For the Years Ended June 30, 2016 and 2015

Note 1 - Significant Accounting Policies

Organization:
Foss Reservoir Public Works Authority (Authority) is an Oklahoma public trust which owns and leases the water treatment plant located at Foss Reservoir. The initial funding came from contributions from the Cities of Clinton, New Cordell, Hobart, and Bessie.
The Authority is governed by a board of directors selected by the mentioned towns.

Basis of Accounting:
The Authority is a proprietary fund type of entity and uses the accrual method of accounting which reports revenues when earned and expenses when incurred. The Authority is not legally required by state law to adopt a budget or report on budget comparisons in this report.

Capital Assets and Depreciation:
The Authority records its capital assets at their historical cost. Depreciation is calculated on each individual asset using the straight-line method of depreciation at the asset's estimated useful life. The Authority estimates the useful lives of the assets based on the type of asset. The lives range from 4 to 40 years.

Income Tax:
The Authority is exempt from federal and state income taxes under IRS Code Section 115 (a) as an agency of the State of Oklahoma.

Note 2 - Accounts Receivable

The Authority didn't have any accounts receivable as of the date of the audit.

Note 3 - Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 4 - Contingencies

The Authority didn't have any contingencies as of the date of the audit.

Note 5 - Restricted Assets

The Authority has restricted fund balance for contributions made by the Cities mentioned above for the initial costs of $580,000 and government grants of $850,000.

Note 6 - Capital Assets

	Balance 7/1/2015	Additions	Discarded	Balance 6/30/2016
Water Treatment Plant	$ 1,055,000	-	-	$ 1,055,000
Equipment & Other Assets	240,000	-	-	240,000
Total Assets	1,295,000	-	-	1,295,000
Less: Accumulated Depreciation	1,295,000	-	-	1,295,000
Net Fixed Assets	$ -	-	-	$ -

Note 7 - Components of Cash and Investments

	Date of Maturity	Interest Rate	Balance
Petty Cash	-	0.00%	$ -
Checking - 1st Bank & Trust	-	0.15%	119,208
CD - Oklahoma Bank & Trust	11/7/2016	0.40%	100,000
CD - 1st Bank	11/7/2016	0.40%	100,000
CD - 1st Bank	8/11/2016	0.40%	100,000
Total Cash and Investments			$ 419,208

Note 8 - Long Term Liabilities

The Authority didn't have any long-term liabilities as of the date of the audit.

Note 9 - Prior Period Adjustments

There were no prior period adjustments in the financial statements for the years ending June 30, 2016 or 2015.

Note 10 - Related Party Transactions

The Authority receives rent on the fixed assets from Foss Reservoir Master Conservancy District which has the same board of directors as the Authority. The rent received for the years ending June 30, 2016 and 2015 amounted to $417,375 and $517,862, respectively.

Note 10 - Retirement Benefits

The Authority participates in the Oklahoma Municipal Retirement Fund. The Authority contributed 15.7% and 15.3% for years ending June 30, 2016 and 2015, respectively of the employee's participating wages. The employees contribut 3.75%. The Authority contributed $48,016 and $47,867 during the years ending June 30, 2016 and 2015.

Note 11 - Evaluation of Subsequent Events

The subsequent events of the Authority were evaluated through October 28, 2016, the date of the financial statements.

SCOTT NORTHRIP, CPA

P.O. Box 642, Hobart, Oklahoma 73651

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Foss Reservoir Public Works Authority
Clinton, Oklahoma

I have audited, 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, the basic financial statements of Foss Reservoir Public Works Authority (Authority), as of and for the years ending June 30, 2016 and 2015, and have issued my report thereon dated October 28, 2016.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, 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, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Internal Control over Financial Reporting

In planning and performing the audit, I considered the Authority's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements , but not for the purpose of expressing 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.

Member: American Institute of CPA's and Oklahoma Society of CPA's

Report on Compliance and Internal Controls-Continued

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.

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.

Scott Northrip, CPA

Scott Northrip
Certified Public Accountant

October 28, 2016