

BARNSDALL PUBLIC WORKS AUTHORITY

BARNSDALL, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of Barnsdall Public Works Authority of the City of Barnsdall, Oklahoma, a Component Unit of the City of Barnsdall, Oklahoma, as of June 30, 2012 and 2011, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of Barnsdall Public Works Authority, Barnsdall, Oklahoma, management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial positions of the Barnsdall Public Works Authority, Barnsdall, Oklahoma, as of June 30, 2012 and 2011, and the statement of activities and changes in retained earnings and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 4, 2012, on our consideration of the Barnsdall 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Barnsdall Public Works Authority has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Certified Public Accountant  
Tulsa, Oklahoma

October 4, 2012

BARNSDALL PUBLIC WORKS AUTHORITY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2012 AND 2011

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ASSETS

	<u>2012</u>	<u>2011</u>
<u>Current Assets:</u>		
Cash	\$ 42,197	\$ 51,842
Certificate of Deposit	75,250	75,250
Accounts receivable	46,276	15,505
Prepaid expenses	4,239	2,151
	<hr/>	<hr/>
Total Current Assets	\$ 167,962	\$ 144,748
	<hr/>	<hr/>
 <u>Fixed Assets:</u>		
Land	\$ 20,000	\$ 20,000
Property and Equipment – pledged	1,346,200	\$1,346,200
Less: Accumulated Depreciation	<u>&lt; 598,381 &gt;</u>	<u>&lt; 563,477 &gt;</u>
	<hr/>	<hr/>
	\$ 767,819	\$ 802,723
	<hr/>	<hr/>
	<u>\$ 935,781</u>	<u>\$ 947,471</u>

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LIABILITIES AND NET ASSETS (DEFICIT)

	<u>2012</u>	<u>2011</u>
<u>Current Liabilities:</u>		
Accounts payable	\$31,117	\$ 6,688
Accrued payroll taxes and vacations payable	4,278	4,713
Current portion of Notes payable (Notes 4 and 5)	50,599	44,501
Meter deposits	35,392	34,590
Total Current Liabilities	<u>\$121,386</u>	<u>\$ 90,492</u>
 <u>Long Term Liabilities:</u>		
Notes payable – Bank	<u>\$832,636</u>	<u>\$883,235</u>
 Net Assets (Deficit)	 <u>&lt; 18,241 &gt;</u>	 <u>&lt; 26,256 &gt;</u>
	 <u><u>\$935,781</u></u>	 <u><u>\$947,471</u></u>

Notes to financial statements are an integral part of these statements.

BARNSDALL PUBLIC WORKS AUTHORITY  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>Revenues, Pledged (Notes 3 and 4):</u>		
Water	\$384,566	\$381,167
Sewer	64,287	61,697
Trash	145,684	132,282
Other	5,347	18,130
	<u>\$599,884</u>	<u>\$593,276</u>
<u>Expenses:</u>		
Water	\$286,853	\$288,397
Sewer	37,164	56,574
Trash services	179,565	141,961
Depreciation	34,904	34,904
Loan closing cost	--	12,500
	<u>\$538,486</u>	<u>\$534,336</u>
Income from Operations (loss)	\$ 61,398	\$ 58,940
<u>Non-operating revenues (expense):</u>		
Interest revenue	556	2,574
Interest expense	< 35,939>	< 48,610>
Transfer to General Fund	< 18,000>	< 36,000>
	<u>&lt;\$ 53,383&gt;</u>	<u>&lt;\$ 82,036&gt;</u>
Net income (loss)	\$ 8,015	<\$ 23,096>
Net assets, beginning of year (Deficit)	<u>&lt;\$ 26,256&gt;</u>	<u>&lt;\$ 3,160&gt;</u>
Net assets, end of year (Deficit)	<u>&lt;\$ 18,241&gt;</u>	<u>&lt;\$ 26,256&gt;</u>

Notes to financial statements are an integral part of these statements.

BARNSDALL PUBLIC WORKS AUTHORITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from customers	\$569,113	\$ 577,771
Cash payment expenses	480,874	522,935
Net cash provided by (used in) operating activities	<u>88,239</u>	<u>\$ 54,836</u>
Cash flows from noncapital:		
Transfer to general fund	<\$ 18,000>	<\$ 36,000>
	<u>&lt; 18,000&gt;</u>	<u>&lt; 36,000&gt;</u>
Cash flows from capital and related financing activities:		
Capital expenditures	--	--
Principal payment on notes	<\$ 44,501>	<\$1,011,924>
Interest paid on revenue bonds	< 35,939>	< 48,610>
Net cash provided for (used in) financing activities	<u>&lt;\$ 80,440&gt;</u>	<u>&lt;\$1,060,534&gt;</u>
Cash flows from investing activities:		
Sale of investments	--	\$ 111,216
Interest received	\$ 556	2,574
Note advances	--	924,451
Net cash provided by investing	<u>\$ 556</u>	<u>\$1,038,241</u>
Net increase <decrease> in cash	<u>&lt;\$ 9,645&gt;</u>	<u>&lt;\$ 3,457&gt;</u>
Cash, beginning of year	51,842	55,299
Cash, end of year	<u>\$ 42,197</u>	<u>\$ 51,842</u>
Reconciliation of operating income to net cash provided by operating activities (lost)	\$ 61,398	\$ 58,940
Depreciation	34,904	34,904
Changes in operating assets and liabilities		
Accounts receivables	< 30,771>	< 15,505>
Other assets	< 2,088>	< 2,151>
Liabilities	<u>24,796</u>	<u>&lt; 21,352&gt;</u>
Net cash provided by operating activities	<u>\$ 88,239</u>	<u>\$ 54,836</u>

Notes to financial statements are an integral part of these statements.

BARNSDALL PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

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1. Organization

Barnsdall Public Works Authority is a public trust created for the benefit of the citizens of and around the City of Barnsdall, Oklahoma. The purpose of the trust is to institute, furnish, provide, distribute and supply water, trash pickup services, garbage pickup services, and sewage treating and disposal services for the area of and around the City of Barnsdall, Oklahoma. The Trustees of the Authority and the City Board are the same. The City of Barnsdall is the beneficiary of the Trust.

2. Summary of Significant Accounting Policies

Accounting policies of the Authority conform to generally accepted accounting principles. A summary of these accounting policies that affect the more significant elements of the Authority's financial statements are set forth below.

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.

Basis of Accounting

The Authority utilizes the accrual basis of accounting, where revenues are recognized when they are earned and expenses when they are incurred.

Cash

For the purposes of the balance sheet and statement of cash flows, cash includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three-months or less. All deposits are collateralized.

Bad Debts

Management uses the "direct write-off" method in recognizing bad debts. Receivables are charged to expense in the year they are deemed uncollectible.



BARNSDALL PUBLIC WORKS AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

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2. Summary of Significant Accounting Policies Continued

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.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the useful lives of the assets which have been estimated as follows:

Water and sewer systems	40 years
Building	20 years
Equipment	3–10 years

3. Property and Equipment

The following is a summary of property and equipment at June 30, 2012:

Land	\$ 20,000
Building	40,000
Sewer and water system	1,306,200
	<u>\$1,366,200</u>
Less accumulated depreciation	598,381
	<u>\$ 767,819</u>

The property and equipment are pledged to secure the Notes.

4. Notes Payable

- a. The note payable to the bank in original amount of \$50,000. The note is dated August 12, 2003 and bears interest at the rate of 6.0% per annum; monthly payments are \$358 for two hundred and forty months including interest. A building secures the note. The note is reflected net of unamortized interest in the statements.

BARNSDALL PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

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4. Notes Payable Continued

- b. The note payable to the bank in original amount of \$924,451. The note is dated October 14, 2010 and bears interest at the rate of 4.25% per annum; monthly payments are \$6,954 for one hundred and eighty months including interest. The Note is secured by a subordinate pledge of revenues generated by the System, plus a mortgage on certain property making up the System. The note is reflected net of unamortized interest in the statements.

	<u>Balance</u>	<u>Current</u>	<u>Long-Term</u>
a.	\$ 34,921	\$ 2,265	\$ 32,656
b.	848,314	48,334	799,980
	\$883,235	\$50,599	\$832,636

5. Annual Debt Service Requirements – 5 Years

	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 50,599	\$ 37,153
2014	52,834	34,918
2015	55,167	32,585
2016	57,605	30,147
2017	60,151	27,601
2018–2022	343,102	95,658
2023–2025	263,777	19,414
	\$883,235	\$277,476

6. Pension – Plan

The Public Works Authority employees with two years service receive a payment into a money purchase plan. In this year, \$10,772 was the cost of the plan. The Authority has no future liability.

7. Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the period. Actual results could differ from those estimates.

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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  
Barnsdall Public Works Authority  
Barnsdall, Oklahoma

We have audited the component unit financial statements of Barnsdall Public Works Authority, City of Barnsdall, Oklahoma, for the year ended June 30, 2012, and have issued our report thereon dated October 4, 2012. Barnsdall Public Works Authority has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. 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.

Internal Control over Financial Reporting

Management of Barnsdall Public Works Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Barnsdall Public Works Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Barnsdall Public Works Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Barnsdall Public Works Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Barnsdall Public Works Authority's financial statements are free of 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.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant  
Tulsa, Oklahoma

October 4, 2012