

BARNSDALL PUBLIC WORKS AUTHORITY

BARNSDALL, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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JIM RUSH

CERTIFIED PUBLIC ACCOUNTANT
9726 East 42nd Street, Suite 230
Tulsa, Oklahoma 74146-3645
Telephone (918) 664-9190

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Barnsdall Public Works Authority, a component unit of the City of Barnsdall, Oklahoma, as of and for the years ended June 30, 2013 and June 30, 2012, and the related to the 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 accounting principles generally accepted in the United State 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

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 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 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.

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

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

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Barnsdall Public Works Authority, a component unit of the City of Barnsdall, Oklahoma, as of June 30, 2013 and June 30, 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2013, on our consideration of the City of Barnsdall, Oklahoma'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 City of Barnsdall, Oklahoma's internal control over financial reporting and compliance.

Certified Public Accountant
Tulsa, Oklahoma

October 7, 2013

BARNSDALL PUBLIC WORKS AUTHORITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
<u>Current Assets:</u>		
Cash	\$ 15,163	\$ 42,197
Certificate of Deposit	45,250	75,250
Accounts receivable	36,460	46,276
Prepaid expenses	4,433	4,239
	<hr/>	<hr/>
Total Current Assets	\$ 101,306	\$ 167,962
	<hr/>	<hr/>
 <u>Fixed Assets:</u>		
Land	\$ 20,000	\$ 20,000
Property and Equipment – pledged	1,350,420	1,346,200
Less: Accumulated Depreciation	<632,457>	< 598,381>
	<hr/>	<hr/>
	\$ 737,963	\$ 767,819
	<hr/>	<hr/>
	\$ 839,269	\$ 935,781
	<hr/>	<hr/>

LIABILITIES AND NET ASSETS (DEFICIT)

	<u>2013</u>	<u>2012</u>
<u>Current Liabilities:</u>		
Accounts payable	\$ 50,670	\$ 31,117
Accrued payroll taxes and vacations payable	2,188	4,278
Current portion of Notes payable (Notes 4 and 5)	52,834	50,599
Meter deposits	31,800	35,392
Total Current Liabilities	\$137,492	\$121,386
 <u>Long Term Liabilities:</u>		
Notes payable – Bank	\$779,802	\$832,636
 Net Assets (Deficit)	 < 78,025 >	 < 18,241 >
	\$839,269	\$935,781

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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>Revenues, Pledged (Notes 3 and 4):</u>		
Water	\$415,706	\$384,566
Sewer	73,282	64,287
Trash	123,765	145,684
Other	--	5,347
	<u>612,753</u>	<u>\$599,884</u>
<u>Expenses:</u>		
Water	\$341,875	\$286,853
Sewer	53,694	37,164
Trash services	190,789	179,565
Depreciation	34,076	34,904
	<u>\$620,434</u>	<u>\$538,486</u>
Income from Operations (loss)	<\$ 7,681>	\$ 61,398
<u>Non-operating revenues (expense):</u>		
Interest revenue	1,420	556
Interest expense	< 44,523>	< 35,939>
Transfer to General Fund	< 9,000>	< 18,000>
	<u><\$ 52,103></u>	<u><\$ 53,383></u>
Net income (loss)	<\$ 59,784>	\$ 8,015
Net assets, beginning of year (Deficit)	<u><\$ 18,241></u>	<u><\$ 26,256></u>
Net assets, end of year (Deficit)	<u><\$ 78,025></u>	<u><\$ 18,241></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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from customers	\$592,569	\$569,113
Cash payment expenses	542,701	480,874
Net cash provided by (used in) operating activities	<u>\$ 49,868</u>	<u>\$ 88,239</u>
Cash flows from noncapital:		
Transfer to general fund	<u><\$ 9,000></u>	<u><\$ 18,000></u>
	<u><\$ 9,000></u>	<u>< 18,000></u>
Cash flows from capital and related financing activities:		
Capital expenditures	<u><\$ 4,220></u>	--
Principal payment on notes	<u>< 50,599></u>	<u><\$ 44,501></u>
Interest paid on revenue bonds	<u>< 44,523></u>	<u>< 35,939></u>
Net cash provided for (used in) financing activities	<u><\$ 99,342></u>	<u><\$ 80,440></u>
Cash flows from investing activities:		
Sale of investments	\$ 30,000	--
Interest received	1,440	\$ 556
Net cash provided by investing	<u>\$ 31,440</u>	<u>\$ 556</u>
Net increase <decrease> in cash	<u><\$ 27,034></u>	<u><\$ 9,645></u>
Cash, beginning of year	<u>\$ 42,197</u>	<u>\$ 51,842</u>
Cash, end of year	<u>\$ 15,163</u>	<u>\$ 42,197</u>
Reconciliation of operating income to net cash provided by operating activities (lost)	<u><\$ 7,681></u>	<u>\$ 61,398</u>
Depreciation	34,076	34,904
Changes in operating assets and liabilities		
Accounts receivables	9,816	<u>< 30,771></u>
Other assets	<u>< 194></u>	<u>< 2,088></u>
Liabilities	<u>13,851</u>	<u>24,796</u>
Net cash provided by operating activities	<u>\$ 49,868</u>	<u>\$ 88,239</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, 2013 AND 2012

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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, 2013 AND 2012

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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, 2013:

Land	\$ 20,000
Building	40,000
Sewer and water system	1,310,420
	<u>\$1,370,420</u>
Less accumulated depreciation	632,457
	<u>\$ 737,963</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, 2013 AND 2012

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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 and a one cent sales tax. The note is reflected net of unamortized interest in the statements.

	<u>Balance</u>	<u>Current</u>	<u>Long-Term</u>
a.	\$ 32,656	\$ 2,405	\$ 30,251
b.	799,980	50,429	749,551
	\$832,636	\$52,834	\$779,802

5. Annual Debt Service Requirements – 5 Years

	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 52,834	\$ 34,918
2015	55,167	32,585
2016	57,605	30,147
2017	60,151	27,601
2018	65,400	22,351
2019–2023	355,700	83,060
2024–2025	185,779	9,661
	\$832,636	\$240,323

6. Pension – Plan

The Public Works Authority employees with two years service receive a payment into a money purchase plan. In this year, \$7,307 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.

JIM RUSH
CERTIFIED PUBLIC ACCOUNTANT
9726 East 42nd Street, Suite 230
Tulsa, Oklahoma 74146-3645
Telephone (918) 664-9190

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
Barnsdall Public Works Authority
City of 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 Barnsdall Public Works Authority, a component unit of the City of Barnsdall, Oklahoma, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Barnsdall Public Works Authority, Barnsdall, Oklahoma'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 Barnsdall Public Works Authority, Barnsdall, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Barnsdall Public Works Authority, Barnsdall, Oklahoma'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 audits 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 Barnsdall Public Works Authority, Barnsdall, Oklahoma'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 audits, 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.

Certified Public Accountant
Tulsa, Oklahoma

October 7, 2013