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State Auditor & Inspector

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BARNSDALL PUBLIC WORKS AUTHORITY

BARNSDALL, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 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, 2011, and for the year 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.

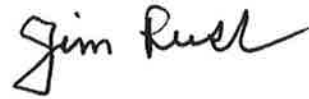
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 audit provides 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 position of the Barnsdall Public Works Authority, Barnsdall, Oklahoma, as of June 30, 2011, and the statement of activities and changes in the deficit and cash flows for the year 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 September 9, 2011, 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.

A handwritten signature in black ink that reads "Jim Reed". The signature is written in a cursive style with a large, looped initial "J".

Certified Public Accountant
Tulsa, Oklahoma

September 9, 2011

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

ASSETS

Current Assets:

Cash	\$ 51,842
Certificate of Deposit	75,250
Accounts receivable	15,505
Prepaid expenses	2,151
Total Current Assets	<u>\$ 144,748</u>

Fixed Assets:

Property and Equipment – pledged	\$1,366,200
Less: Accumulated Depreciation	563,477
	<u>\$ 802,723</u>
	<u>\$ 947,471</u>

LIABILITIES AND NET ASSETS (DEFICIT)Current Liabilities:

Accounts payable	\$ 6,688
Accrued payroll taxes and vacations payable	4,713
Current portion of Notes payable (Notes 4 and 5)	44,501
Meter deposits	34,590
Total Current Liabilities	<u>\$ 90,492</u>

Long Term Liabilities:

Notes payable – Bank	<u>\$883,235</u>
Net Assets (Deficit)	<u><26,256></u>
	<u>\$947,471</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 YEAR ENDED JUNE 30, 2011

<u>Revenues, Pledged (Notes 3 and 4):</u>	
Water	\$381,167
Sewer	61,697
Trash	132,282
Other	18,130
	<u>\$593,276</u>
 <u>Expenses:</u>	
Water	\$288,397
Sewer	56,574
Trash services	141,961
Depreciation	34,904
Loan closing cost	12,500
	<u>\$534,336</u>
 Income from Operations (loss)	 \$ 58,940
 Non-operating revenues (expense):	
Interest revenue	2,574
Interest expense	< 48,610>
Transfer to General Fund	< 36,000>
	<u>< \$82,036></u>
 Net income (loss)	 < \$23,096>
 Net assets, beginning of year (Deficit)	 < \$3,160>
Net assets, end of year (Deficit)	<u>< 26,256></u>

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

BARNSDALL PUBLIC WORKS AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

Cash flows from operating activities:	
Cash received from customers	\$ 577,771
Cash payment expenses	522,935
Net cash provided by (used in) operating activities	<u>\$ 54,836</u>
Cash flows from noncapital:	
Transfer to general fund	<u><\$ 36,000></u>
	<u>< 36,000></u>
Cash flows from capital and related financing activities:	
Capital expenditures	--
Principal payment on notes	<u><\$1,011,924></u>
Interest paid on revenue bonds	<u><48,610></u>
Net cash provided for (used in) financing activities	<u><\$1,060,534></u>
Cash flows from investing activities:	
Sale of investments	\$ 111,216
Interest received	2,574
Note advances	924,451
Net cash provided by investing	<u>\$1,038,241</u>
Net increase <decrease> in cash	<u><\$ 3,457></u>
Cash, beginning of year	<u>55,299</u>
Cash, end of year	<u>\$ 51,842</u>
Reconciliation of operating income to net cash provided by operating activities (lost)	\$ 58,940
Depreciation	34,904
Changes in operating assets and liabilities	
Accounts receivables	< 15,505>
Other assets	< 2,151>
Liabilities	<u>< 21,352></u>
Net cash provided by operating activities	<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 YEAR ENDED JUNE 30, 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 YEAR ENDED JUNE 30, 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	25 years
Equipment	3-10 years

3. Property and Equipment

The following is a summary of property and equipment at June 30, 2011:

Building	\$ 50,000
Sewer and water system	1,316,200
	<u>\$1,366,200</u>
Less accumulated depreciation	563,477
	<u>\$ 802,723</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 YEAR ENDED JUNE 30, 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.	\$ 36,881	\$ 1,960	\$ 34,921
b.	890,855	42,541	848,314
	\$927,736	\$44,501	\$883,235

5. Annual Debt Service Requirements – 5 Years

	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 44,502	\$ 35,938
2013	50,599	37,153
2014	52,834	34,918
2015	55,167	32,585
2016	57,605	30,147
2017–2021	328,564	110,195
2022–2025	338,465	32,478
	\$927,736	\$313,414

6. Pension – Plan

The Public Works Authority employees with two year service receive a payment into a money purchase plan. In this year \$5,247 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

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE 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, 2011, and have issued our report thereon dated September 9, 2011. 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

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Barnsdall Public Works Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Barnsdall Public Works Authority's financial statements that is more than inconsequential will not be prevented or detected by Barnsdall Public Works Authority's internal control.

Board of Trustees
Barnsdall Public Works Authority
September 9, 2011
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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Barnsdall Public Works Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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

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 the Board of Trustees, management 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

September 9, 2011