

HASKELL PUBLIC WORKS AUTHORITY

HASKELL, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of Haskell Public Works Authority of the Town of Haskell, Oklahoma, a Component Unit of the Town of Haskell, 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 Haskell Public Works Authority, Haskell, 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 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 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 Haskell Public Works Authority, Haskell, Oklahoma, as of June 30, 2012 and 2011, and the statement of activities and changes in net asset 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 August 10, 2012, on our consideration of the Haskell 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 audits.

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

Haskell 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

August 10, 2012

HASKELL 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	\$ 33,993	\$ 153,846
Certificate of Deposit	355,950	354,351
Accounts receivable	135,618	116,674
Prepaid expenses	1,092	1,390
Total Current Assets	<u>\$ 526,653</u>	<u>\$ 626,261</u>
<u>Fixed Assets:</u>		
Land	\$ 67,500	\$ 67,500
Property and Equipment – pledged	<u>6,099,301</u>	<u>6,069,565</u>
	6,166,801	6,137,065
Less: Accumulated Depreciation	<u>&lt;3,274,823&gt;</u>	<u>&lt;3,109,061&gt;</u>
	<u>2,891,978</u>	<u>3,028,004</u>
	<u>\$3,418,631</u>	<u>\$3,654,265</u>

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LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
<u>Current Liabilities:</u>		
Accounts payable	\$ 51,188	\$ 52,060
Due to general fund	--	7,279
Accrued payroll taxes and payroll payable	25,848	29,231
Current portion of Notes payable (Notes 4 and 5)	31,225	29,843
Accrued interest payable	2,138	3,149
Meter deposits	128,757	125,402
Total Current Liabilities	\$ 239,156	\$ 246,964
 <u>Long Term Debt</u>		
Note payable – Rural Development (Notes 4 and 5)	430,477	438,941
Note payable – OWRB (Notes 4 and 5)	128,865	157,485
	559,342	596,426
 Net Assets	 \$2,620,133	 \$2,810,875
	\$3,418,631	\$3,654,265

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

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

	<u>2012</u>	<u>2011</u>
<u>Revenues, Pledged (Notes 3 and 4):</u>		
Gas	\$ 548,507	\$ 639,646
Water	486,343	459,618
Sewer	197,968	172,967
Trash	160,085	159,783
Penalties	29,277	25,109
Tap and readings fees	3,525	8,350
Processing fees	24,374	21,639
Other	3,892	19,347
	<u>\$1,453,971</u>	<u>\$1,506,459</u>
<u>Expenses:</u>		
Gas purchases	\$ 220,047	\$ 338,280
Water purchases	140,877	122,928
Trash services	150,310	138,954
Supplies	77,739	96,634
Salaries	449,461	406,977
Payroll taxes and benefits	182,749	181,662
Repairs and maintenance	25,883	15,666
Utilities	4,488	32,745
Telephone	3,345	7,895
Office supplies and expense	27,214	36,640
Legal and accounting	20,376	9,772
Insurance	13,995	16,918
Depreciation	165,762	161,130
Other services	110,869	65,741
Bad debt expense	20,685	120,958
	<u>\$1,613,800</u>	<u>\$1,752,900</u>
Income from Operations (loss)	<\$ 159,829>	<\$ 246,441>
Non-operating revenues (expense):		
Interest revenue	1,608	4,293
Interest expense	< 32,521>	< 27,167>
	<u>&lt;\$ 30,913&gt;</u>	<u>&lt;\$ 22,874&gt;</u>
Net income (loss)	<\$ 190,742>	<\$ 269,315>
Net assets, beginning of year	<u>\$2,810,875</u>	<u>\$3,080,190</u>
Net assets, end of year	<u>\$2,620,133</u>	<u>\$2,810,875</u>

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

HASKELL 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	\$1,435,027	\$1,621,469
Cash payment expenses	< 1,456,930>	1,573,076
Net cash provided by (used in) operating activities	<u>&lt; 21,903&gt;</u>	<u>48,393</u>
Cash flows from capital and related financing activities:		
Capital expenditures	< 29,736>	< 57,500>
Principal payment on revenue bonds	< 35,702>	< 28,585>
Interest paid on revenue bonds	< 32,521>	< 27,167>
Net cash provided for (used in) financing activities	<u>&lt; 97,959&gt;</u>	<u>&lt; 113,252&gt;</u>
Cash flows from investing activities:		
Interest received	<u>1,608</u>	<u>4,293</u>
Net cash provided by investing	<u>1,608</u>	<u>4,293</u>
Net increase <decrease> in cash	<u>&lt;\$ 118,254&gt;</u>	<u>&lt;\$ 60,566&gt;</u>
Cash, beginning of year	<u>\$ 508,197</u>	<u>\$ 568,763</u>
Cash, end of year	<u>\$ 389,943</u>	<u>\$ 508,197</u>
Reconciliation of operating income to net cash provided by operating activities (lost)		
Depreciation	165,762	161,130
Changes in operating assets and liabilities		
Accounts receivables	< 18,944>	115,010
Other assets	298	2,123
Current liabilities	< 9,190>	16,571
Net cash provided by operating activities	<u>&lt;\$ 21,903&gt;</u>	<u>\$ 48,393</u>

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

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

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1. Organization

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

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.



HASKELL 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:

Gas, water and sewer	5-50 years
Building	5-60 years
Building improvements	2-50 years
Equipment	3-30 years

3. Property and Equipment

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

Land	\$ 67,500
Gas, sewer and water system	5,926,014
Equipment	173,287
	<hr/>
	\$6,166,801
Less accumulated depreciation	3,274,823
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	<u>\$2,891,978</u>

The property and equipment are pledged to secure the Notes.

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

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4. Notes Payable

The following is a summary of long-term debt of the proprietary fund for the year ended June 30, 2012:

	<u>Outstanding</u>	<u>Amount</u>
\$660,300 Note No. 92-03, issued by Rural Development with monthly payments of \$3,232 @ 5%, final payment due July 2030		\$447,114
\$272,251 Note No. ORF-99-015, issued by Oklahoma Water Resources Board with semi-annual payment @ 3.76%, final payment due September 15, 2021		143,453
Total		\$590,567

The Authority is required to make monthly payments on its outstanding Rural Development loans and semi-annual payments on the Oklahoma Water Resources Board loan.

5. Annual Debt Service Requirements – 5 Years

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 31,225	\$ 26,902	\$ 58,127
2014	32,638	25,564	58,202
2015	34,693	23,665	58,358
2016	35,800	21,665	57,465
2017	36,364	31,962	68,326
2018–2022	139,620	76,228	215,848
2023–2027	169,680	35,030	204,710
2028–2030	110,547	8,963	119,510
Total	\$590,567	\$249,979	\$840,546

6. Oklahoma Municipal Retirement Fund

The Authority allows employees to participate in Oklahoma Municipal Retirement Fund, a defined contributions plan. The plan is funded by contributions from participants and employees. The Authority paid \$39,670 and has no further liability.

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

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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  
Haskell Public Works Authority  
Haskell, Oklahoma

We have audited the component unit financial statements of Haskell Public Works Authority, Town of Haskell, Oklahoma, for the years ended June 30, 2012 and 2011, and have issued our report thereon dated August 10, 2012. Haskell 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 Town of Haskell, Oklahoma, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Haskell, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Haskell, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Town of Haskell, Oklahoma'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.

Board of Trustees  
Haskell Public Works Authority  
August 6, 2012  
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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 Town of Haskell, Oklahoma'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, the 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

August 10, 2012