

HASKELL PUBLIC WORKS AUTHORITY

HASKELL, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Town of Haskell, Oklahoma

We have audited the accompanying financial statements of Haskell Public Works Authority, a component unit of the Town of Haskell, 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.

### **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Haskell Public Works Authority, a component unit of the Town of Haskell, 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*

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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2013, on our consideration of the Town of Haskell, 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 Town of Haskell, Oklahoma's internal control over financial reporting and compliance.

August 10, 2013

Certified Public Accountant  
Tulsa, Oklahoma

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

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ASSETS

	<u>2013</u>	<u>2012</u>
<u>Current Assets:</u>		
Cash	\$ 385,734	\$ 33,993
Certificate of Deposit	357,612	355,950
Accounts receivable	132,818	135,618
Prepaid expenses	2,355	1,092
Total Current Assets	<u>\$ 878,519</u>	<u>\$ 526,653</u>
<u>Fixed Assets:</u>		
Land	\$ 67,500	\$ 67,500
Property and Equipment – pledged	<u>6,140,224</u>	<u>6,099,301</u>
	6,207,724	6,166,801
Less: Accumulated Depreciation	<u>&lt;3,443,731&gt;</u>	<u>&lt;3,274,823&gt;</u>
	<u>2,763,993</u>	<u>2,891,978</u>
	<u>\$ 3,642,512</u>	<u>\$ 3,418,631</u>

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LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
<u>Current Liabilities:</u>		
Accounts payable	\$ 73,950	\$ 51,188
Accrued payroll taxes and payroll payable	32,815	25,848
Current portion of Notes payable (Notes 4 and 5)	32,817	31,225
Accrued interest payable	2,081	2,138
Meter deposits	136,345	128,757
Total Current Liabilities	<u>\$ 278,008</u>	<u>\$ 239,156</u>
 <u>Long Term Debt</u>		
Note payable – Rural Development (Notes 4 and 5)	413,142	430,477
Note payable – OWRB (Notes 4 and 5)	113,716	128,865
	<u>526,858</u>	<u>559,342</u>
 Net Assets	 <u>\$2,837,646</u>	 <u>\$2,620,133</u>
	 <u>\$3,642,512</u>	 <u>\$3,418,631</u>

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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>Revenues, Pledged (Notes 3 and 4):</u>		
Gas	\$ 666,360	\$ 548,507
Water	557,108	486,343
Sewer	255,311	197,968
Trash	159,272	160,085
Penalties	32,212	29,277
Tap and readings fees	15,494	3,525
Processing fees	19,654	24,374
Other	7,610	3,892
Grants	34,649	0
	<u>\$1,747,670</u>	<u>\$1,453,971</u>
<u>Expenses:</u>		
Gas purchases	\$ 211,530	\$ 220,047
Water purchases	85,100	140,877
Trash services	149,519	150,310
Supplies	83,198	77,739
Salaries	392,483	449,461
Payroll taxes and benefits	162,905	182,749
Repairs and maintenance	34,383	25,883
Utilities	32,420	4,488
Telephone	4,548	3,345
Office supplies and expense	35,673	27,214
Legal and accounting	14,630	20,376
Insurance	14,483	13,995
Depreciation	168,908	165,762
Other services	88,469	110,869
Bad debt expense	23,324	20,685
	<u>\$1,501,573</u>	<u>\$1,613,800</u>
Income from Operations (loss)	\$ 246,097	<\$ 159,829>
Non-operating revenues (expense):		
Interest revenue	1,662	1,608
Interest expense	< 30,246>	< 32,521>
	<u>&lt;\$ 28,584&gt;</u>	<u>&lt;\$ 30,913&gt;</u>
Net income (loss)	\$ 217,513	<\$ 190,742>
Net assets, beginning of year	<u>\$2,620,133</u>	<u>\$2,810,875</u>
Net assets, end of year	<u>\$2,837,646</u>	<u>\$2,620,133</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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from customers	\$1,750,470	\$1,435,027
Cash payment expenses	<1,296,668>	< 1,456,930>
Net cash provided by (used in) operating activities	<u>453,802</u>	<u>&lt; 21,903&gt;</u>
Cash flows from capital and related financing activities:		
Capital expenditures	< 40,923>	< 29,736>
Principal payment on revenue bonds	< 30,892>	< 35,702>
Interest paid on revenue bonds	< 30,246>	< 32,521>
Net cash provided for (used in) financing activities	<u>&lt; 102,061&gt;</u>	<u>&lt; 97,959&gt;</u>
Cash flows from investing activities:		
Interest received	<u>1,662</u>	<u>1,608</u>
Net cash provided by investing	<u>1,662</u>	<u>1,608</u>
Net increase <decrease> in cash	<u>\$ 353,403</u>	<u>&lt;\$ 118,254&gt;</u>
Cash, beginning of year	<u>\$ 389,943</u>	<u>\$ 508,197</u>
Cash, end of year	<u>\$ 743,346</u>	<u>\$ 389,943</u>
Reconciliation of operating income to net cash provided by operating activities (lost)	\$ 246,097	<\$ 159,829>
Depreciation	168,908	165,762
Changes in operating assets and liabilities		
Accounts receivables	2,800	< 18,944>
Other assets	< 1,263>	298
Current liabilities	<u>37,260</u>	<u>&lt; 9,190&gt;</u>
Net cash provided by operating activities	<u>\$ 453,802</u>	<u>&lt;\$ 21,903&gt;</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, 2013 AND 2012

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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, 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:

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, 2013:

Land	\$ 67,500
Gas, sewer and water system	5,926,014
Equipment	214,210
	<u>\$6,207,724</u>
Less accumulated depreciation	<u>&lt; 3,443,731 &gt;</u>
	<u>\$2,763,993</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, 2013 AND 2012

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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, 2013:

	<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		\$430,810
\$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		128,865
Total		\$559,675

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. The Rural Development note agreements require a loan reserve equal to 12 months payments. The required loan reserve is \$38,916. The reserve, including interest earnings, at June 30, 2013, was in the amount of \$38,916.

5. Annual Debt Service Requirements – 5 Years

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 32,817	\$ 25,887	\$ 58,704
2015	34,334	24,370	58,704
2016	35,836	22,869	58,705
2017	37,468	21,236	58,704
2018	39,190	19,515	58,705
	179,645	113,877	293,522
2019–2023	172,659	71,062	243,721
2024–2028	161,234	32,686	193,920
2029–2030	46,137	1,815	47,952
Total	\$559,675	\$219,440	\$779,115

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 \$39,774 and has no further liability.

HASKELL PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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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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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  
Haskell Public Works Authority  
Haskell, 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 Haskell Public Works Authority, a component unit of the Town of Haskell, 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 August 10, 2013. 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.

**Internal Control Over Financial Reporting**

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

August 10, 2013

Certified Public Accountant  
Tulsa, Oklahoma