

HASKELL PUBLIC WORKS AUTHORITY

HASKELL, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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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, 2014 and June 30, 2013, 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.

### **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, 2014 and June 30, 2013, 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.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Haskell Public Works Authority and do not purport to, and do not present fairly the financial position of the Town of Haskell, Oklahoma, as of June 30, 2014, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

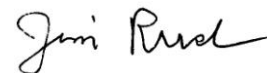
### **Other Matters**

#### *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 5, 2014, 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.



Certified Public Accountant  
Tulsa, Oklahoma

August 5, 2014

HASKELL PUBLIC WORKS AUTHORITY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014 AND 2013

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ASSETS

	<u>2014</u>	<u>2013</u>
<u>Current Assets:</u>		
Cash	\$ 508,054	\$ 385,734
Certificate of Deposit	360,642	357,612
Accounts receivable	145,351	132,818
Prepaid expenses	3,478	2,355
Total Current Assets	<u>\$1,017,525</u>	<u>\$ 878,519</u>
<u>Fixed Assets:</u>		
Land	\$ 67,500	\$ 67,500
Property and Equipment – pledged	<u>6,205,807</u>	<u>6,140,224</u>
	6,273,307	6,207,724
Less: Accumulated Depreciation	<u>&lt;3,576,099&gt;</u>	<u>&lt;3,443,731&gt;</u>
	<u>2,697,208</u>	<u>2,763,993</u>
	<u>\$3,714,733</u>	<u>\$3,642,512</u>

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LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
<u>Current Liabilities:</u>		
Accounts payable	\$ 103,917	\$ 73,950
Accrued payroll taxes and payroll payable	12,203	32,815
Current portion of Notes payable (Notes 4 and 5)	32,803	32,817
Accrued interest payable	1,259	2,081
Meter deposits	136,824	136,345
Total Current Liabilities	\$ 287,006	\$ 278,008
 <u>Long Term Debt</u>		
Note payable – Rural Development (Notes 4 and 5)	392,049	413,142
Note payable – OWRB (Notes 4 and 5)	47,984	113,716
	440,033	526,858
 Net Assets	 \$2,987,694	 \$2,837,646
	\$3,714,733	\$3,642,512

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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>Revenues, Pledged (Notes 3 and 4):</u>		
Gas	\$ 731,159	\$ 666,360
Water	517,078	557,108
Sewer	246,865	255,311
Trash	158,812	159,272
Penalties	32,800	32,212
Tap and readings fees	21,687	15,494
Processing fees	21,361	19,654
Other	13,930	7,610
Grants	0	34,649
	<u>\$1,743,692</u>	<u>\$1,747,670</u>
<u>Expenses:</u>		
Gas purchases	\$ 248,038	\$ 211,530
Water purchases	92,920	85,100
Trash services	148,453	149,519
Supplies	127,508	83,198
Salaries	402,509	392,483
Payroll taxes and benefits	147,999	162,905
Repairs and maintenance	33,557	34,383
Utilities	31,213	32,420
Telephone	11,086	4,548
Office supplies and expense	27,816	35,673
Legal and accounting	17,702	14,630
Insurance	12,222	14,483
Depreciation	171,289	168,908
Other services	78,040	88,469
Bad debt expense	21,858	23,324
	<u>\$1,572,210</u>	<u>\$1,501,573</u>
Income from Operations (loss)	\$ 171,482	\$ 246,097
Non-operating revenues (expense):		
Interest revenue	2,679	1,662
Interest expense	< 24,113 >	< 30,246 >
	<u>&lt;\$ 21,434 &gt;</u>	<u>&lt;\$ 28,584 &gt;</u>
Net income (loss)	\$ 150,048	\$ 217,513
Net assets, beginning of year	<u>\$2,837,646</u>	<u>\$2,620,133</u>
Net assets, end of year	<u>\$2,987,694</u>	<u>\$2,837,646</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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from customers	\$1,731,159	\$1,750,470
Cash payment expenses	1,393,032	<1,296,668>
Net cash provided by (used in) operating activities	<u>338,127</u>	<u>453,802</u>
Cash flows from capital and related financing activities:		
Capital expenditures	< 104,504>	< 40,923>
Principal payment on revenue bonds	< 86,839>	< 30,892>
Interest paid on revenue bonds	< 24,113>	< 30,246>
Net cash provided for (used in) financing activities	<u>&lt; 215,456&gt;</u>	<u>&lt; 102,061&gt;</u>
Cash flows from investing activities:		
Interest received	2,679	1,662
Net cash provided by investing	<u>2,679</u>	<u>1,662</u>
Net increase <decrease> in cash	<u>\$ 125,350</u>	<u>\$ 353,403</u>
Cash, beginning of year	<u>\$ 743,346</u>	<u>\$ 389,943</u>
Cash, end of year	<u><u>\$ 868,696</u></u>	<u><u>\$ 743,346</u></u>
Reconciliation of operating income to net cash provided by operating activities (lost)	\$ 171,482	\$ 246,097
Depreciation	171,289	168,908
Changes in operating assets and liabilities		
Accounts receivables	< 12,533>	2,800
Other assets	< 1,123>	< 1,263>
Current liabilities	<u>9,012</u>	<u>37,260</u>
Net cash provided by operating activities	<u><u>\$ 338,127</u></u>	<u><u>\$ 453,802</u></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, 2014 AND 2013

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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, 2014 AND 2013

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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, 2014:

Land	\$ 67,500
Gas, sewer and water system	5,977,871
Equipment	227,936
	<u>\$6,273,307</u>
Less accumulated depreciation	<u>&lt; 3,576,099 &gt;</u>
	<u><u>\$2,697,208</u></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, 2014 AND 2013

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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, 2014:

	<u>Outstanding</u>	<u>Amount</u>
\$660,300 Note No. 92-03, issued by Rural Development with monthly payments of \$3,218 @ 5%, final payment due July 2030		\$409,120
\$272,251 Note No. ORF-99-015, issued by Oklahoma Water Resources Board with semi-annual payment @ 3.76%, final payment due September 15, 2018		63,716
Total		\$472,836

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, 2014, 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>
2015	\$ 32,803	\$ 22,640	\$ 55,443
2016	35,864	21,093	56,957
2017	37,501	19,455	56,956
2018	36,274	17,752	54,026
2019	22,689	16,226	38,915
	165,131	97,166	262,297
2020-2024	132,095	62,484	194,579
2025–2029	169,525	25,054	194,579
2030	6,085	95	6,180
Total	\$472,836	\$184,799	\$657,635

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 \$40,470 and has no further liability.

HASKELL PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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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, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated August 5, 2014. 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.

Board of Trustees  
Haskell Public Works Authority

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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.



Certified Public Accountant  
Tulsa, Oklahoma

August 5, 2014