

HASKELL PUBLIC WORKS AUTHORITY

HASKELL, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9
Report on Compliance and Internal Control – Government Auditing Standards	10-11

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

## 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, 2015 and June 30, 2014, and the related notes 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.

### **Basis for Adverse Opinion**

Management has not presented all pension plan information in their financial statements to display the financial position and changes in financial position of its component unit. Accounting principles generally accepted in the United States of America require the presentation of pension plan information in the financial statements. The amounts that would be reported in the financial statements of the Haskell Public Works Authority have not been determined. Additional information is discussed in Note 6.

### **Adverse Opinion**

In our opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion” paragraph, the financial statements referred to above do not present fairly the financial position of the activities of the Haskell Public Works Authority as of June 30, 2015, or the changes in financial position thereof for the year 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, 2015, the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

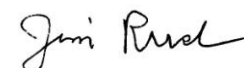
### **Other Matters**

#### *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 7, 2015, 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 7, 2015

HASKELL PUBLIC WORKS AUTHORITY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2015 AND 2014

---

ASSETS

	<u>2015</u>	<u>2014</u>
<u>Current Assets:</u>		
Cash	\$ 440,593	\$ 508,054
Certificate of Deposit	363,961	360,642
Accounts receivable	157,522	145,351
Prepaid expenses	3,404	3,478
Total Current Assets	<u>\$ 965,480</u>	<u>\$1,017,525</u>
<u>Fixed Assets:</u>		
Land	\$ 67,500	\$ 67,500
Property and Equipment – pledged	<u>6,243,022</u>	<u>6,205,807</u>
	6,310,522	6,273,307
Less: Accumulated Depreciation	<u>&lt;3,754,214&gt;</u>	<u>&lt;3,576,099&gt;</u>
	<u>2,556,308</u>	<u>2,697,208</u>
	<u>\$3,521,788</u>	<u>\$3,714,733</u>

---

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
<u>Current Liabilities:</u>		
Accounts payable	\$ 27,127	\$ 103,917
Accrued payroll taxes and payroll payable	47,488	12,203
Current portion of Notes payable (Notes 4 and 5)	35,864	32,803
Accrued interest payable	1,882	1,259
Meter deposits	144,292	136,824
Total Current Liabilities	\$ 256,653	\$ 287,006
 <u>Long Term Debt</u>		
Note payable – Rural Development (Notes 4 and 5)	373,248	392,049
Note payable – OWRB (Notes 4 and 5)	30,830	47,984
	404,078	440,033
 Net Assets	 \$2,861,057	 \$2,987,694
	\$3,521,788	\$3,714,733

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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>Revenues, Pledged (Notes 3 and 4):</u>		
Gas	\$ 662,024	\$ 731,159
Water	542,968	517,078
Sewer	245,932	246,865
Trash	161,464	158,812
Penalties	30,611	32,800
Tap and readings fees	20,317	21,687
Processing fees	22,103	21,361
Other	2,184	13,930
	<u>\$1,687,603</u>	<u>\$1,743,692</u>
<u>Expenses:</u>		
Gas purchases	\$ 208,735	\$ 248,038
Water purchases	130,929	92,920
Trash services	150,761	148,453
Supplies	158,468	127,508
Salaries	546,546	402,509
Payroll taxes and benefits	207,526	147,999
Repairs and maintenance	15,534	33,557
Utilities	33,992	31,213
Telephone	16,745	11,086
Office supplies and expense	35,479	27,816
Legal and accounting	17,989	17,702
Insurance	12,334	12,222
Depreciation	178,115	171,289
Other services	63,018	78,040
Bad debt expense	18,364	21,858
	<u>1,794,535</u>	<u>\$1,572,210</u>
Income from Operations (loss)	<\$ 106,932>	\$ 171,482
Non-operating revenues (expense):		
Interest revenue	3,061	2,679
Interest expense	< 22,766>	< 24,113>
	<u>&lt;\$ 19,705&gt;</u>	<u>&lt;\$ 21,434&gt;</u>
Net income (loss)	<\$ 126,637>	\$ 150,048
Net assets, beginning of year	<u>\$2,987,694</u>	<u>\$2,837,646</u>
Net assets, end of year	<u>\$2,861,057</u>	<u>\$2,987,694</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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from customers	\$1,675,432	\$1,731,159
Cash payment expenses	1,649,761	1,393,032
Net cash provided by (used in) operating activities	<u>25,671</u>	<u>338,127</u>
Cash flows from capital and related financing activities:		
Capital expenditures	< 37,215>	< 104,504>
Principal payment on revenue bonds	< 32,893>	< 86,839>
Interest paid on revenue bonds	< 22,766>	< 24,113>
Net cash provided for (used in) financing activities	<u>&lt; 92,874&gt;</u>	<u>&lt; 215,456&gt;</u>
Cash flows from investing activities:		
Interest received	3,061	2,679
Net cash provided by investing	<u>3,061</u>	<u>2,679</u>
Net increase <decrease> in cash	<u>&lt;\$ 64,142&gt;</u>	<u>\$ 125,350</u>
Cash, beginning of year	<u>\$ 868,696</u>	<u>\$ 743,346</u>
Cash, end of year	<u>\$ 804,554</u>	<u>\$ 868,696</u>
Reconciliation of operating income to net cash provided by operating activities (lost)	<\$ 106,932>	\$ 171,482
Depreciation	178,115	171,289
Changes in operating assets and liabilities		
Accounts receivables	< 12,171>	< 12,533>
Other assets	74	< 1,123>
Current liabilities	<u>&lt; 33,415&gt;</u>	<u>9,012</u>
Net cash provided by operating activities	<u>\$ 25,671</u>	<u>\$ 338,127</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, 2015 AND 2014

-1-

---

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, 2015 AND 2014

-2-

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, 2015:

Land	\$ 67,500
Gas, sewer and water system	5,995,871
Equipment	247,151
	<u>\$6,310,522</u>
Less accumulated depreciation	<u>&lt; 3,754,214 &gt;</u>
	<u>\$2,556,308</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, 2015 AND 2014

-3-

4. Notes Payable

The following is a summary of long-term debt of the proprietary fund for the year ended June 30, 2015:

	<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		\$392,783
\$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		47,159
Total		\$439,942

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, 2015, 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>
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
2020	23,835	14,781	38,616
	156,163	89,307	245,470
2021-2025	138,789	63,239	202,028
2026–2030	144,990	9,613	154,603
Total	\$439,942	\$162,159	\$602,101

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 \$48,153 into the plan this year. The accrued liabilities and other information have not been presented as required by accounting principles generally accepted in the United States of America.

HASKELL PUBLIC WORKS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

-4-

---

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 42<sup>nd</sup> 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  
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, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated August 7, 2015. Haskell Public Works Authority has not presented a management's discussion and analysis or an annual budget 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  
Page 2

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 7, 2015