

HASKELL PUBLIC WORKS AUTHORITY

HASKELL, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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	6-8
Report on Compliance and Internal Control – Government Auditing Standards	9-10

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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, 2016 and June 30, 2015, 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 audits 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, 2016 and June 30, 2015, or the changes in financial position 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, 2016 and June 30, 2015, the changes in its financial position 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 21, 2016, 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 21, 2016

HASKELL PUBLIC WORKS AUTHORITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
<u>Current Assets:</u>		
Cash	\$ 327,135	\$ 440,593
Certificate of Deposit	351,596	363,961
Accounts receivable, less allowance for bad debts of \$17,192 in 2016 and \$14,000 in 2015	181,156	157,522
Prepaid expenses	6,981	3,404
Total Current Assets	\$ 866,868	\$ 965,480
 <u>Fixed Assets:</u>		
Land	\$ 85,500	\$ 67,500
Property and Equipment – pledged	6,243,022	6,243,022
	6,328,522	6,310,522
Less: Accumulated Depreciation	< 3,931,885 >	< 3,754,214 >
	2,396,637	2,556,308
	\$3,263,505	\$3,521,788

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
<u>Current Liabilities:</u>		
Accounts payable	\$ 40,227	\$ 27,127
Accrued payroll taxes and payroll payable	29,408	47,488
Current portion of Notes payable (Notes 4 and 5)	20,165	35,864
Accrued interest payable	1,227	1,882
Meter deposits	152,122	144,292
Total Current Liabilities	<u>\$ 243,149</u>	<u>\$ 256,653</u>
 <u>Long Term Debt</u>		
Note payable – Rural Development (Notes 4 and 5)	352,895	373,248
Note payable – OWRB (Notes 4 and 5)	--	30,830
	<u>352,895</u>	<u>404,078</u>
 Net Assets	 <u>\$2,667,461</u>	 <u>\$2,861,057</u>
	 <u>\$3,263,505</u>	 <u>\$3,521,788</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>Revenues, Pledged (Notes 3 and 4):</u>		
Gas	\$ 534,736	\$ 662,024
Water	500,273	542,968
Sewer	239,549	245,932
Trash	161,391	161,464
Penalties	29,592	30,611
Tap and readings fees	12,303	20,317
Processing fees	21,110	22,103
Other	7,060	2,184
	<u>\$1,506,014</u>	<u>\$1,687,603</u>
<u>Expenses:</u>		
Gas purchases	\$ 142,561	\$ 208,735
Water purchases	83,888	130,929
Trash services	150,724	150,761
Supplies	143,029	158,468
Salaries	542,108	546,546
Payroll taxes and benefits	212,241	207,526
Repairs and maintenance	26,311	15,534
Utilities	31,532	33,992
Telephone	15,536	16,745
Office supplies and expense	34,253	35,479
Legal and accounting	17,125	17,989
Insurance	22,203	12,334
Depreciation	177,671	178,115
Other services	84,947	63,018
Bad debt expense	670	18,364
	<u>\$1,684,799</u>	<u>\$1,794,535</u>
Income from Operations (loss)	<\$ 178,785>	<\$ 106,932>
Non-operating revenues (expense):		
Interest revenue	3,576	3,061
Interest expense	< 18,387>	< 22,766>
	<u><\$ 14,811></u>	<u><\$ 19,705></u>
Net income (loss)	<\$ 193,596>	<\$ 126,637>
Net assets, beginning of year	<u>\$2,861,057</u>	<u>\$2,987,694</u>
Net assets, end of year	<u>\$2,667,461</u>	<u>\$2,861,057</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from customers	\$1,482,380	\$1,675,432
Cash payment expenses	1,508,510	1,649,761
Net cash provided by (used in) operating activities	<u>< 26,130 ></u>	<u>25,671</u>
Cash flows from capital and related financing activities:		
Capital expenditures	< 18,000 >	< 37,215 >
Principal payment on revenue bonds	< 66,882 >	< 32,893 >
Interest paid on revenue bonds	< 18,387 >	< 22,766 >
Net cash provided for (used in) financing activities	<u>< 103,269 ></u>	<u>< 92,874 ></u>
Cash flows from investing activities:		
Interest received	3,576	3,061
Net cash provided by investing	<u>3,576</u>	<u>3,061</u>
Net increase <decrease> in cash	<u><\$ 125,823 ></u>	<u><\$ 64,142 ></u>
Cash, beginning of year	<u>\$ 804,554</u>	<u>\$ 868,696</u>
Cash, end of year	<u>\$ 678,731</u>	<u>\$ 804,554</u>
Reconciliation of operating income to net cash provided by operating activities (lost)	<\$ 178,785 >	<\$ 106,932 >
Depreciation	177,671	178,115
Changes in operating assets and liabilities		
Accounts receivables	< 23,634 >	< 12,171 >
Other assets	< 3,577 >	74
Current liabilities	2,195	< 33,415 >
Net cash provided by (used in) operating activities	<u><\$ 26,130 ></u>	<u>\$ 25,671</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, 2016 AND 2015

-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.

Allowance for Bad Debts

The allowance for bad debts is computed by adding all accounts receivable over ninety and one hundred and twenty days, not under contract.

HASKELL PUBLIC WORKS AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

-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, 2016:

Land	\$ 85,500
Gas, sewer and water system	5,995,871
Equipment	247,151
	<u>\$6,328,522</u>
Less accumulated depreciation	<u>< 3,931,885 ></u>
	<u><u>\$2,396,637</u></u>

The property and equipment are pledged to secure the Note.

HASKELL PUBLIC WORKS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

-3-

4. Note Payable

The following is a summary of long-term debt of the proprietary fund for the year ended June 30, 2016:

<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	\$373,060

The Authority is required to make monthly payments on its outstanding Rural Development loans. 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, 2016, 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>
2017	\$ 20,165	\$ 18,751	\$ 38,916
2018	21,766	17,150	38,916
2019	22,879	16,037	38,916
2020	24,050	14,866	38,916
2021	25,280	13,636	38,916
	114,140	80,440	194,580
2022–2026	147,176	47,404	194,580
2027–2030	111,744	9,135	120,879
Total	\$373,060	\$136,979	\$510,039

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 \$57,523 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.

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, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated August 21, 2016. 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 21, 2016