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HASKELL PUBLIC WORKS AUTHORITY

HASKELL, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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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, 2011 and 2010, 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.

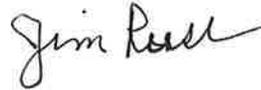
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2011 and 2010, 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 6, 2011, 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.

A handwritten signature in cursive script that reads "Jim Reel".

Certified Public Accountant
Tulsa, Oklahoma

August 6, 2011

HASKELL PUBLIC WORKS AUTHORITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash	\$ 153,846	\$ 139,509
Certificate of Deposit	354,351	429,254
Accounts receivable	116,674	231,684
Prepaid expenses	1,390	3,513
Total Current Assets	<u>\$ 626,261</u>	<u>\$ 803,960</u>
<u>Fixed Assets:</u>		
Land	\$ 67,500	\$ 67,500
Property and Equipment – pledged	6,069,565	6,141,344
	<u>6,137,065</u>	<u>6,208,844</u>
Less: Accumulated Depreciation	<u><3,109,061></u>	<u><3,077,210></u>
	<u>3,028,004</u>	<u>3,131,634</u>
	<u>\$3,654,265</u>	<u>\$3,935,594</u>

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
<u>Current Liabilities:</u>		
Accounts payable	\$ 52,060	\$ 70,267
Due to general fund	7,279	4,574
Accrued payroll taxes and payroll payable	29,231	7,703
Current portion of Notes payable (Notes 4 and 5)	29,843	28,585
Accrued interest payable	3,149	2,578
Meter deposits	125,402	114,903
Total Current Liabilities	<u>\$ 246,964</u>	<u>\$ 228,610</u>
 <u>Long Term Debt</u>		
Note payable – Rural Development (Notes 4 and 5)	438,941	469,309
Note payable – OWRB (Notes 4 and 5)	157,485	157,485
	<u>596,426</u>	<u>626,794</u>
 Net Assets	 <u>\$2,810,875</u>	 <u>\$3,080,190</u>
	 <u>\$3,654,265</u>	 <u>\$3,935,594</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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Revenues, Pledged (Notes 3 and 4):</u>		
Gas	\$ 639,646	\$ 605,916
Water	459,618	512,850
Sewer	172,967	198,054
Trash	159,783	137,031
Penalties	25,109	48,278
Tap and readings fees	8,350	9,650
Processing fees	21,639	24,478
Other	19,347	18,316
	<u>\$1,506,459</u>	<u>\$1,554,573</u>
 <u>Expenses:</u>		
Gas purchases	\$ 338,280	\$ 466,234
Water purchases	122,928	101,257
Trash services	138,954	136,865
Supplies	96,634	159,094
Salaries	406,977	357,960
Payroll taxes and benefits	181,662	134,933
Repairs and maintenance	15,666	2,893
Utilities	32,745	61,560
Telephone	7,895	9,663
Office supplies and expense	36,640	38,497
Legal and accounting	9,772	13,087
Insurance	16,918	17,760
Depreciation	161,130	155,380
Other services	65,741	85,556
Bad debt expense	120,958	0
	<u>\$1,752,900</u>	<u>\$1,740,739</u>
 Income from Operations (loss)	 <\$ 246,441>	 <\$ 186,166>
 Non-operating revenues (expense):		
Interest revenue	4,293	4,598
Interest expense	< 27,167>	< 27,644>
	<u><\$ 22,874></u>	<u><\$ 23,046></u>
 Net income (loss)	 <\$ 269,315>	 <\$ 209,212>
 Net assets, beginning of year	 <u>\$3,080,190</u>	 <u>\$3,289,402</u>
Net assets, end of year	<u>\$2,810,875</u>	<u>\$3,080,190</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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from customers	\$1,621,469	\$1,443,425
Cash payment expenses	1,573,076	< 1,538,374>
Net cash provided by (used in) operating activities	<u>48,393</u>	<u>< 94,949></u>
Cash flows from capital and related financing activities:		
Capital expenditures	< 57,500>	--
Principal payment on revenue bonds	< 28,585>	<\$ 28,585>
Interest paid on revenue bonds	< 27,167>	< 27,644>
Net cash provided for (used in) financing activities	<u><\$ 113,252></u>	<u><\$ 56,229></u>
Cash flows from investing activities:		
Interest received	\$ 4,293	\$ 4,598
Net cash provided by investing	<u>\$ 4,293</u>	<u>\$ 4,598</u>
Net increase <decrease> in cash	<u><\$ 60,566></u>	<u><\$ 146,580></u>
Cash, beginning of year	\$ 568,763	\$ 715,343
Cash, end of year	<u>\$ 508,197</u>	<u>\$ 568,763</u>
Reconciliation of operating income to net cash provided by operating activities (lost)	<\$ 246,441>	<\$ 186,166>
Depreciation	161,130	155,380
Changes in operating assets and liabilities		
Accounts receivables	115,010	< 111,148>
Other assets	2,123	3,387
Current liabilities	<u>16,571</u>	<u>43,598</u>
Net cash provided by operating activities	<u>\$ 48,393</u>	<u><\$ 94,949></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, 2011 AND 2010

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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, 2011 AND 2010

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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, 2011:

Land	\$ 67,500
Gas, sewer and water system	5,896,278
Equipment	173,287
	<hr/>
	\$6,137,065
Less accumulated depreciation	3,109,061
	<hr/>
	<u>\$3,028,004</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, 2011 AND 2010

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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, 2011:

	<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		\$468,784
\$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		<u>157,485</u>
Total		<u><u>\$626,269</u></u>

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>
2012	\$ 29,860	\$ 28,194	\$ 58,054
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
2017-2021	164,176	81,528	245,704
2022-2026	130,201	50,372	180,573
2027-2030	<u>167,676</u>	<u>20,283</u>	<u>187,959</u>
Total	<u>\$626,269</u>	<u>\$278,173</u>	<u>\$904,442</u>

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 \$33,648 and has no further liability.

HASKELL PUBLIC WORKS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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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 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, 2011 and 2010, and have issued our report thereon dated August 6, 2011. 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

In planning and performing our audit, we considered Haskell Public Works Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Haskell Public Works Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Haskell Public Works Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Haskell Public Works Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Haskell Public Works Authority's financial statements that is more than inconsequential will not be prevented or detected by Haskell Public Works Authority's internal control.

Board of Trustees
Haskell Public Works Authority
August 6, 2011
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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Haskell Public Works Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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

As part of obtaining reasonable assurance about whether Haskell Public Works Authority'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 the Board of Trustees, management 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 6, 2011