

Haskell Public Works Authority

A COMPONENT UNIT OF THE TOWN OF HASKELL, OKLAHOMA

P.O. BOX 9

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Haskell, Oklahoma 74436

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FINANCIAL STATEMENTS

JUNE 30, 2018



Clothier & Company CPA's P.C.

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HASKELL PUBLIC WORKS AUTHORITY

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Independent Auditors' Report

Board of Trustees
Haskell Public Works Authority
Haskell, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities – cash basis of Haskell Public Works Authority (the “Authority”), as of and for the years ended June 30, 2018, and the related notes to the basic 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 States 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 audit. 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. 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 auditors' 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 business-type activities – cash basis of the Authority, as of June 30, 2018, and the respective changes in financial position – cash basis and cash flows thereof for the year then ended in accordance with the accounting basis described in Note 1 to the financial statements.

Other Matters

Required Supplementary Information

Management has omitted the management, discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Disclaimer of Opinion on Supplementary Information

The budgetary comparison information on page 16, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2019, on our consideration of the 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 solely 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 effectiveness of the Authority's 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 the Authority's internal control over financial reporting and compliance.



Clothier & Company, CPA's, P.C.
April 4, 2019

HASKELL PUBLIC WORKS AUTHORITY
Statement of Assets, Liabilities, and Net Assets - Cash Basis
June 30, 2018

ASSETS

Current Assets

Cash and cash equivalents \$ 202,877

Total Current Assets 202,877

Capital Assets

Fixed assets 6,362,448

Accumulated depreciation (4,268,572)

Total Capital Assets 2,093,876

Other Assets

Restricted cash 407,799

Total Other Assets 407,799

Total Assets \$ 2,704,552

LIABILITIES AND NET ASSETS

Current Liabilities

Current maturities \$ 270,544

Total Current Liabilities 270,544

Long Term Liabilities

Meter deposits payable 155,812

Notes payable 270,965

Less: current maturities (270,544)

Total Long Term Liabilities 156,233

Net Assets

Net invested in capital assets 1,822,911

Restricted for deposits/loan 228,455

Restricted for other purposes 179,343

Unrestricted net assets 47,066

Total Net Assets 2,277,775

Total Liabilities and Net Assets \$ 2,704,552

See accompanying notes and independent auditors' report.

HASKELL PUBLIC WORKS AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund
Net Assets - Cash Basis
June 30, 2018

Revenue	
Charges for services	\$ <u>1,651,189</u>
Total Revenue	1,651,189
Operating Expenses	
General government	952,999
Sanitation	155,995
Water	253,474
Wastewater	30,219
Gas	198,844
Depreciation expense	<u>158,928</u>
Total Operating Expenses	1,750,459
Operating Income	(99,270)
Other Income (Expenses)	
Interest income	1,980
Other income	1,922
Interest expense	<u>(9,834)</u>
Total Other Income	<u>(5,932)</u>
Change in Net Assets	<u><u>\$ (105,202)</u></u>

See accompanying notes and independent auditors' report.

HASKELL PUBLIC WORKS AUTHORITY

Statement of Cash Flows

June 30, 2018

Cash Flows From Operating Activities:

Receipts from Customers	\$ 1,651,189
Payment to Suppliers	(750,711)
Payment to Employees	(842,772)
Net Cash Provided by Operating Activities	57,706

Cash Flows From Noncapital Financing Activities:

Other NonOperating Receipts	1,922
Interest Paid on Long Term Debt	(9,834)
Net Cash (Used) by Noncapital Financing Activities	(7,912)

Cash Flows From Capital and Related Financing Activities:

Proceeds from Issuance of Debt	0
Payment of Debt	(81,363)
Disposal of Asset	0
Purchase of Capital Assets	(23,550)
Net Cash (Used) by Capital and Related Financing Activities	(104,913)

Cash Flows From Investing Activities:

Payment of Meter Deposits	(1,843)
Receipts of Interest and Dividends	1,980
Increase (Decrease) in Cash Reserve	(53,079)
Net Cash Provided by Investing Activities	(52,942)

Net Decrease in Cash and Cash Equivalents (108,061)

Cash and Cash Equivalents at Beginning of Year 310,938

Cash and Cash Equivalents at End of Year **\$ 202,877**

Reconciliation of Operating Income (Loss) to Net Cash

Provided by Operating Activities:

Operating Income (Loss)	\$ (99,270)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Add Depreciation Expense	158,928
(Increase) Decrease Current Assets	
(Increase) Decrease Receivables, net	0
(Increase) Decrease Inventories	0
Increase (Decrease) Current Liabilities	
Increase (Decrease) Accounts payable	0
Increase (Decrease) Accrued liabilities	(1,952)
Increase (Decrease) Other liabilities	0
	0

Net Cash Provided by (Used in) Operating Activities **\$ 57,706**

See accompanying notes and independent auditors' report.

HASKELL PUBLIC WORKS AUTHORITY
Notes to the Financial Statements
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Haskell Public Works Authority (the “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/garbage pickup services, and sewage treating and disposal services for the area of and around the Town of Haskell (the “Town”). The Board of Trustees of the Authority and the Town are the same. The Town is the beneficiary of the Trust.

PROPRIETARY FUND ACCOUNTING

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities, the Authority has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*.

BASIS OF PRESENTATION

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments. This Statement provides for the most significant change in financial reporting in over twenty years and required implementation by Haskell Public Works Authority for fiscal years ending after June 15, 2003. In June 2001, GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*, which in part addressed the need to reevaluate certain existing disclosure requirements in the context of the reporting model in Statement No. 34. Haskell Public Works Authority implemented Statement No. 38 in conjunction with Statement No. 34 in a previous year.

BASIS OF ACCOUNTING

The Authority utilizes the modified cash basis of accounting for its business-type activities. Under this method, revenues are recognized when received and expenses are recognized when paid. Other modifications to the cash basis of accounting include recording depreciation on property and equipment and accruing for payroll taxes. This is a comprehensive basis of accounting other than GAAP.

CASH AND CASH EQUIVALENTS

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. Funds held in reserve are not considered to be part of cash.

INVENTORY

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 repairs and maintenance expense at the time of purchase.

HASKELL PUBLIC WORKS AUTHORITY
Notes to the Financial Statements
June 30, 2018

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. Additions, renewals, and betterments over \$500 are capitalized, whereas, expenditures for maintenance and repairs are charged to expense. The cost and related accumulated depreciation of assets retired or sold are removed from the appropriate asset and depreciation accounts, and the resulting gain or loss is reflected in income.

It is the policy of the Authority to record depreciation based on the estimated useful life of the individual units of property and equipment. The depreciation methods and the estimated useful lives used as the basis for the application of those methods are as follows:

<u>Description</u>	<u>Method</u>	<u>Estimated Useful Life</u>
Gas, water and sewer	Straight-line	5-50 years
Building	Straight-line	5-60 years
Building improvements	Straight-line	2-50 years
Equipment	Straight-line	3-30 years

METER DEPOSITS

Meter Deposits consist of deposits paid for the use of utility meters by citizens of Haskell. The cash is deposited in Mabrey Bank as certificates of deposit. By law, these deposits are either applied against the account or refunded when the depositor moves from the address where the meter is located.

2. PROPERTY AND EQUIPMENT

	<u>Beginning Balance</u>	<u>Addition</u>	<u>Accumulated Depreciation</u>	<u>Book Balance</u>
Land	\$67,500	\$0	\$0	\$67,500
Gas, sewer and water system	6,261,765	10,375	(4,258,929)	2,013,211
Vehicles	9,633	13,175	(9,643)	13,165
Totals	<u>\$6,338,898</u>	<u>\$23,550</u>	<u>(\$4,268,572)</u>	<u>\$2,093,876</u>

3. CONCENTRATION OF CREDIT RISK

The Town follows the practice of pooling cash from all funds for the purpose of disbursements for operating expenses. Each fund's portion of total pooled cash is shown in the financial statements as cash and cash equivalents. Funds restricted for debt service are generally held by outside custodians on behalf of the Authority.

The Authority and Town maintain their pooled cash in Mabrey Bank. Demand accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, and non-demand accounts are also guaranteed up to \$250,000.

HASKELL PUBLIC WORKS AUTHORITY
Notes to the Financial Statements
June 30, 2018

Both the Authority and Town have the same Treasurer and therefore share both the FDIC insurance and the pledged receipts. The FDIC insurance and pledged receipts are large enough to cover both organizations' bank balances at year end.

4. DEBT

The Rural Development – Note No. 92-03, issued in the amount of \$660,300 was paid in full July 31, 2018 with a loan from Mabrey Bank. The pay-off balance was \$352,328.

Mabrey Bank – On July 27, 2018, the Authority signed a one year promissory note for the sum of \$292,098.94. The note shall bear interest at a rate of 2.38% per annum. Monthly payments of \$3,170.19 will be made for 11 months beginning August 27, 2017. The final payment will be due July 27, 2018, and is estimated at \$263,932.07, which is the principal balance and any accrued interest not yet paid. As of June 30, 2018, the balance owed was \$263,145.

Mabrey Bank – On July 22, 2016, the Authority signed a promissory note for the sum of \$21,191 for the balance due for a 2015 Cat Skid Loader that the Authority and Town each paid a down payment of \$10,372.50. The note bears an interest rate of 2.58% for 36 months with monthly payments of \$612.33. The Town pays \$204.11 of the payment and the Authority pays \$408.22 each month. The balance as of June 30, 2018 was \$7,820.51.

Debt service requirements:

	Current Maturities	Debt Service
2018	270,544	271,133
2019	590	591
2020	0	0
2021	0	0
2022	0	0
Thereafter	0	0
	271,134	271,724

5. USE OF ESTIMATES

The preparation of financial statement in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from these estimates.

6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date the financial statements were available to be issued, and no event was found that needed disclosed. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.



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Independent Auditors' 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 Statement of Assets, Liabilities, and Net Assets – Cash Basis of the business-type activities of Haskell Public Works Authority (the “Authority”), Haskell, Oklahoma, as of and for the year ended June 30, 2018, and the Statement of Revenues, Expenses, and Changes in Fund Net Assets – Cash Basis, and Statement of Cash Flows and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated April 4, 2019.

As described in Note 1, the Authority prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority’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 audit we did not identify any deficiencies in internal control that we considered 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 the Authority's financial statements are free of material misstatements, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing in 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.



Clothier & Company, CPA's, P.C.

April 4, 2019

Supplemental Information

HASKELL PUBLIC WORKS AUTHORITY
Budget to Actual Comparison
Year Ended June 30, 2018

<u>GENERAL FUND</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Revenue Summary				
	\$ 1,913,500	\$ 1,913,500	\$ 1,655,091	\$ 258,409
Prior year carry over	380,000	380,000	0	760,000
Total Revenue	2,293,500	2,293,500	1,655,091	1,018,409
Expenditure Summary				
Administrative	240,000	240,000	0	240,000
Operations	1,308,500	1,308,500	952,999	355,501
Gas	325,000	325,000	198,844	126,156
Water	270,000	270,000	253,474	16,526
Sewer/Sanitation	50,000	50,000	186,214	(136,214)
Contingency	100,000	100,000	0	100,000
Total Expenditures	2,293,500	2,293,500	1,591,531	701,969
Adjustments to Expenditures				
Interest Expense	0	0	9,834	(9,834)
Depreciation Expense	0	0	158,928	(158,928)
Total Adjustments	0	0	168,762	(168,762)
Total Expenditures	2,293,500	2,293,500	1,760,293	533,207
Excess of Revenue Over (Under) Expenditures	0	0	(105,202)	105,202

See accompanying notes and independent auditors' report.