

Haskell Public Works Authority



A COMPONENT UNIT OF THE TOWN OF HASKELL, OKLAHOMA

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ANNUAL REPORT

As of June 30, 2020 and 2019

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HASKELL PUBLIC WORKS AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Haskell Public Works Authority
Haskell, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the business-type activities of the Haskell Public Works Authority, Haskell, Oklahoma (the "Authority") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 opinions 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of the Authority, as of June 30, 2020, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 20 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2021, 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.

Firm's signature



Muskogee, Oklahoma
January 20, 2021

HASKELL PUBLIC WORKS AUTHORITY
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis
June 30, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ (7,872)	\$ 143,269
Certificates of deposit	<u>294,879</u>	<u>250,504</u>
Total Current Assets	287,007	393,773
Capital Assets		
Fixed assets	6,426,159	6,410,216
Accumulated depreciation	<u>(4,591,132)</u>	<u>(4,427,960)</u>
Total Capital Assets	1,835,027	1,982,256
Other Assets		
Restricted cash	<u>172,007</u>	<u>161,632</u>
Total Other Assets	<u>172,007</u>	<u>161,632</u>
Total Assets	<u>\$ 2,294,041</u>	<u>\$ 2,537,661</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Current maturities	\$ <u>201,149</u>	\$ <u>237,131</u>
Total Current Liabilities	201,149	237,131
Long Term Liabilities		
Meter deposits payable	172,007	161,632
Notes payable	216,676	257,838
Less: current maturities	<u>(201,149)</u>	<u>(237,131)</u>
Total Long Term Liabilities	187,534	182,339
Net Assets		
Net invested in capital assets	1,618,351	1,724,418
Restricted for deposits/loan	235,094	230,873
Restricted for other purposes	184,363	181,262
Unrestricted net assets	<u>(132,450)</u>	<u>(18,362)</u>
Total Net Assets	<u>1,905,358</u>	<u>2,118,191</u>
Total Liabilities and Net Assets	<u>\$ 2,294,041</u>	<u>\$ 2,537,661</u>

See accompanying notes and independent auditor's report.

HASKELL PUBLIC WORKS AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund
Net Assets - Modified Cash Basis
June 30, 2020 and 2019

	2020	2019
Revenue		
Charges for services	\$ <u>1,582,529</u>	\$ <u>1,606,805</u>
Total Revenue	1,582,529	1,606,805
 Operating Expenses		
General government	971,253	940,926
Sanitation	165,917	146,730
Water	265,147	280,623
Wastewater	34,230	45,687
Gas	204,638	191,163
Depreciation expense	<u>163,172</u>	<u>159,388</u>
Total Operating Expenses	1,804,357	1,764,517
Operating Income	(221,828)	(157,712)
 Other Income (Expenses)		
Interest income	7,270	4,337
Other income	0	2,000
Gain (loss) on disposal of asset	3,067	0
Interest expense	<u>(1,342)</u>	<u>(8,209)</u>
Total Other Income	<u>8,995</u>	<u>(1,872)</u>
Change in Net Assets	(212,833)	(159,584)
Beginning Net Assets	<u>2,118,191</u>	<u>2,277,775</u>
Ending Net Assets	<u>\$ <u>1,905,358</u></u>	<u>\$ <u>2,118,191</u></u>

See accompanying notes and independent auditor's report.

HASKELL PUBLIC WORKS AUTHORITY
Statement of Cash Flows - Modified Cash Basis
June 30, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities:		
Receipts from Customers	\$ 1,582,529	\$ 1,606,805
Payment to Suppliers	(1,038,135)	(759,090)
Payment to Employees	(603,050)	(846,039)
Net Cash Provided by Operating Activities	(58,656)	1,676
Cash Flows From Noncapital Financing Activities:		
Other Non-Operating Receipts	0	2,000
Interest Paid on Long Term Debt	(1,342)	(8,209)
Net Cash (Used) by Noncapital Financing Activities	(1,342)	(6,209)
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Issuance of Debt	0	0
Payment of Debt	(41,162)	(13,127)
Disposal of Asset	3,067	0
Purchase of Capital Assets	(15,943)	(47,768)
Net Cash (Used) by Capital and Related Financing Activities	(54,038)	(60,895)
Cash Flows From Investing Activities:		
Receipts of Meter Deposits	10,375	5,820
Receipts of Interest and Dividends	7,270	4,337
Increase (Decrease) in Cash Reserve	(54,750)	(4,337)
Net Cash Provided by Investing Activities	(37,105)	5,820
Net Decrease in Cash and Cash Equivalents	(151,141)	(59,608)
Cash and Cash Equivalents at Beginning of Year	143,269	\$ 202,877
Cash and Cash Equivalents at End of Year	\$ (7,872)	\$ 143,269
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (221,828)	\$ (157,712)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Add Depreciation Expense	163,172	159,388
(Increase) Decrease Current Assets		
(Increase) Decrease Receivables, net	0	0
(Increase) Decrease Inventories	0	0
Increase (Decrease) Current Liabilities		
Increase (Decrease) Accounts payable	0	0
Increase (Decrease) Accrued liabilities	0	0
Increase (Decrease) Other liabilities	0	0
Net Cash Provided by (Used in) Operating Activities	\$ (58,656)	\$ 1,676

See accompanying notes and independent auditor's report.

HASKELL PUBLIC WORKS AUTHORITY

Notes to the Financial Statements

June 30, 2020 and 2019

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 treatment 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 statement of assets, liabilities, and net assets and the 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, 2020 and 2019

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>Cost</u>	<u>Additions/ Deletions</u>	<u>Accumulated Depreciation</u>	<u>Book Value 6/30/2020</u>	<u>Book Value 6/30/2019</u>
Land	\$ 67,500	\$ 0	\$ 0	\$ 67,500	\$ 67,500
Gas, sewer and water system	6,319,908	4,644	(4,575,080)	1,749,472	1,904,289
Vehicles	22,808	11,299	(16,052)	18,055	10,467
Totals	\$ 6,410,216	\$ 15,943	\$ (4,591,132)	\$ 1,835,027	\$ 1,982,256

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.

HASKELL PUBLIC WORKS AUTHORITY

Notes to the Financial Statements

June 30, 2020 and 2019

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.

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

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 3.10% per annum. Monthly payments of \$3,252.86 will be made for 11 months beginning August 27, 2019. The final payment will be due July 27, 2020, and is estimated at \$200,295.02, which is the principal balance and any accrued interest not yet paid. As of June 30, 2020, the balance owed was \$196,403. On June 30, 2019, the balance owed was \$231,779.

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, 2019 was \$591.13. The remaining balance was paid off during 2020.

Mabrey Bank – On March 27, 2019, the Authority signed a promissory note for the sum of \$40,000 for the balance due for a 2019 Kubota Track Hoe that the Authority and Town paid a down payment of \$17,656.15. The note bears an interest rate of 6.50% for 60 months with each monthly payment of \$784.49. The balance as of June 30, 2020 was \$20,273 and the balance as of June 30, 2019 was \$25,467.36.

Debt service requirements:

June 30,	Current Maturities	Debt Service
2021	201,149	202,852
2022	5,420	6,276
2023	5,783	6,276
2024	4,324	5,230
2025	0	0
Thereafter	0	0
	<u>216,676</u>	<u>220,634</u>

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.

HASKELL PUBLIC WORKS AUTHORITY
Notes to the Financial Statements
June 30, 2020 and 2019

6. INSURANCE RECOVERY

During the year, the Authority received \$3,027 in insurance recovery for a loss related to the collision of a police vehicle attempting to perform a traffic stop. The proceeds from the insurance recovery are reported on the Statement of Revenues, Expenses, and Changes in Fund Net Assets as a gain (loss) on disposal of asset.

7. SUBSEQUENT EVENTS

On August 4, 2020, the Authority signed an eight month renewal of the original Mabrey Bank loan for \$292,098.94. At the time of renewal, the unpaid principal balance was \$193,488.27. The note shall bear interest at a rate of 2.750% per annum. Monthly payments of \$3,252.86 will be made for 11 months beginning August 27, 2020. The final payment will be due on March 28, 2021 and is estimated to be \$174,157.97, which is the principal balance and any accrued interest not yet paid.

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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***

**To the 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 modified cash basis financial statements of the business-type activities of the Haskell Public Works Authority, Haskell, Oklahoma (the "Authority"), as of and for the year ended June 30, 20~~X~~120, and the related notes to the modified cash basis financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 20, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the modified cash basis 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 opinions on the modified cash basis 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 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.

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 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 the Authority'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 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 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.

Firm's signature

Clothier + Company CPAs

Muskogee, Oklahoma
January 20, 2021

Required Supplemental Information

HASKELL PUBLIC WORKS AUTHORITY

Budget to Actual Comparison

Year Ended June 30, 2020

<u>GENERAL FUND</u>	<u>ORIGINAL</u>	<u>FINAL</u>		
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Revenue Summary				
	\$ 2,083,500	\$ 2,083,500	\$ 1,585,596	\$ 497,904
Prior year carry over	320,000	320,000	0	320,000
Total Revenue	2,403,500	2,403,500	1,585,596	817,904
Expenditure Summary				
Administrative	240,000	240,000	0	240,000
Operations	1,353,500	1,353,500	0	1,353,500
Gas	350,000	350,000	0	350,000
Water	300,000	300,000	0	300,000
Sewer/Sanitation	60,000	60,000	0	60,000
Contingency	100,000	100,000	0	100,000
Total Expenditures	2,403,500	2,403,500	0	2,403,500
Adjustments to Expenditures				
Interest Expense	0	0	0	0
Depreciation Expense	0	0	0	0
Total Adjustments	0	0	0	0
Total Expenditures	2,403,500	2,403,500	0	2,403,500
Excess of Revenue Over (Under) Expenditures	0	0	1,585,596	(1,585,596)

See accompanying notes and independent auditors' report.