

**PITTSBURG COUNTY
PUBLIC WORKS AUTHORITY
Crowder, Oklahoma
FINANCIAL STATEMENTS
June 30, 2012**

**RALPH OSBORN
CERTIFIED PUBLIC ACCOUNTANT
500 SOUTH CHESTNUT
P.O. BOX 1015
BRISTOW, OKLAHOMA 74010-1015**

INDEPENDENT AUDITORS' REPORT

To The Honorable Members of the Board of Trustees
Pittsburg County Public Works Authority
Crowder, Oklahoma

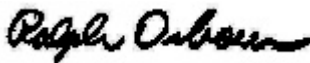
I have audited the accompanying financial statements of the business-type activities of Pittsburg County Public Works Authority as of and for the year ended June 30, 2012, which collectively comprise Pittsburg County Public Works Authority's basic financial statements. These financial statements are the responsibility of Pittsburg County Public Works Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Pittsburg County Public Works Authority as of June 30, 2012, and the respective changes in financial position and cash flows where appropriate, thereof, in conformity with accounting principles generally accepted in the United States of America.

Pittsburg County Public Works Authority has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statement.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 12, 2014, on my consideration of Pittsburg County Public Works Authority's internal control over financial reporting and my 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 my audit.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
June 12, 2014

Pittsburg County Public Works Authority
Crowder, Oklahoma

STATEMENT OF NET ASSETS
For the Year Ended June 30, 2012

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 79,681
Accounts Receivable	131,335
Prepaid Insurance	12,379
Total Current Assets	<u>223,395</u>

Noncurrent Assets

Reserved Cash	41,725
Capital Assets	
Land	21,623
Construction in Progress	2,398,440
Capital Assets, Net of Depreciation	1,467,389
Total Noncurrent Assets	<u>3,929,177</u>

Total Assets 4,152,572

LIABILITIES

Current Liabilities

Accounts Payable	23,082
Payroll Taxes Payable	161
Accrued Payroll Payable	19,796
Accrued Interest Payable	7,003
Current Portion Long-Term Debt	48,642
Current Portion Lease Purchases	11,173

Total Current Liabilities 109,857

Long-Term Liabilities

Long-Term Notes Payable	2,679,056
Long-Term Lease Purchases	24,998

Total Long-Term Liabilities 2,704,054

Total Liabilities 2,813,911

NET ASSETS

Nonspendable	1,240,498
Restricted for debt service	41,725
Unrestricted	56,438
Total Net Assets	<u>\$ 1,338,661</u>

The Accompanying Notes are an Integral Part of this Statement

Pittsburg County Public Works Authority
Crowder, Oklahoma

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS**

For the Year Ended June 30, 2012

OPERATING REVENUES:

Water Sales	\$ 784,183
Penalties	11,066
Reconnect Fees	11,227
Water Tap	500
Miscellaneous	7,702
Total Operating Revenues	<u>814,678</u>

OPERATING EXPENSES:

Wages	118,342
Payroll Tax	9,598
Employee Benefits	13,791
Chemicals	52,957
Testing	13,975
Fuel	12,057
Insurance	31,027
Legal & Professional	12,767
Contract Labor	170
Maintenance & Repairs	67,995
Office & Postage	10,598
Water Rights	5,327
Sewer & Trash	133,287
Utilities & Telephone	58,223
Bonds & Permits	1,431
Bad Debt Expense	6,054
Depreciation	90,511
Total Operating Expenses	<u>638,110</u>

Operating Income (Loss) 176,568

NONOPERATING REVENUES (EXPENSES):

Grant - Rural Development	412,777
Interest Income	462
Interest Expense	(116,951)
Total Nonoperating Revenues (Expenses)	<u>296,288</u>

Change in Net Assets 472,856

Total Net Assets, July 1, 2011 865,805

Total Net Assets, June 30, 2012 \$ 1,338,661

The Accompanying Notes are an Integral Part of this Statement

Pittsburg County Public Works Authority
Crowder, Oklahoma

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Water Sales	\$ 785,078
Cash Paid to Employees	(144,790)
Cash Payments to Suppliers for Goods and Services	(405,983)
Net Cash Used by Operating Activities	<u>234,305</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from Grant-Rural Development	412,777
Proceeds from Ford Motor Credit	30,350
Purchase of Fixed Assets	(40,069)
Principal Payment Long-Term Debt	(68,644)
Interest Payments on Debt	(113,167)
Proceeds from Rural Development	1,009,871
Construction in Progress	(1,428,458)
Restricted Cash for Debt Service	(2,805)
Net Cash Provided by Capital and Related Financing Activities	<u>(200,145)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment Income	462
Net Cash Provided by Investing Activities	<u>462</u>
Net Change in Cash	34,622
Cash and Cash Equivalents, July 1, 2011	<u>45,059</u>
Cash and Cash Equivalents, June 30, 2012	<u><u>\$ 79,681</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:	
Change in Net Assets from Operating Income	\$ 176,568
Noncash and Nonoperating Items Included in Change in Net Assets:	
Depreciation & Amortization	90,511
Changes in Assets and Liabilities:	
(Increase)Decrease in Accounts Receivable	(29,600)
(Increase)Decrease in Prepaid Insurance	5,912
Increase(Decrease) in Accounts Payable	(6,027)
Increase(Decrease) in Payroll Taxes	(100)
Increase(Decrease) in Accrued Insurance Payable	(3,957)
Increase(Decrease) in Accrued Payroll Wages	998
Net Cash Provided by Operating Activities	<u><u>\$ 234,305</u></u>

The Accompanying Notes are an Integral Part of this Statement

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Pittsburg County Public Works Authority (hereinafter called “The Authority”) is a public trust created on June 26, 1962. The Authority was organized in accordance with Oklahoma State Statute, Title 60, Public Trust Authorities, which qualifies it for exemption from federal and state income taxes. The beneficiary of the public trust is Pittsburg County, Oklahoma. The purpose of The Authority is to provide water services to the towns of Canadian, Crowder and the surrounding vicinity.

The purposes of this trust are to institute, furnish, provide and supply to the inhabitants, owners and occupants of property, and to industrial, commercial and mercantile establishments and enterprises, located in Pittsburg County, any or all improvements, services and physical facilities for the safeguarding of public health, the protection of persons and property, and the conservation and implementation of public welfare, of such kinds and characters that the same may be an authorized or proper function of the Beneficiary of this Trust, or any component thereof, or by law made subject to the supervision of its governing body or of its officers, which said improvements, services and physical facilities may be supplementary or wholly extraneous to any such improvement, service or physical facility that presently is, or hereafter may be furnished, provided or supplied by or under the supervision of the Beneficiary, or any component thereof.

The financial statements of the Pittsburg County Public Works Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

The accounting policies of The Authority conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The Proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements

June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

A. Reporting Entity:

In evaluating how to define the Pittsburg County Public Works Authority, for financial reporting purposes, management has considered if it is a component unit of a primary government. The Pittsburg County Public Works Authority is considered a Joint-Venture between the Town of Canadian and Town of Crowder. There are six (6) members of the Board of Trustees of the Authority. Three (3) members are the Town of Canadian's council and three (3) members are the Town of Crowder's council.

B. Basis of Accounting:

The accrual basis of accounting is used by the Authority. Under the accrual method of accounting, revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Interest and other expenses paid during construction are capitalized to the extent they exceed interest earnings.

C. Property, Plant, and Equipment:

Additions to the Pittsburg County Public Works Authority are recorded at cost, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses, renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition. Estimated useful lives are as follows:

Water System	50 years and 40 years
Office Equipment	3 to 10 years
Equipment	5 to 10 years
Vehicles	3 to 5 years

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2012

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

D. Cash:

The Authority has a demand account at a depository bank, at June 30, 2012.

E. Prepaid Insurance:

For the purpose of the balance sheet, "Prepaid Insurance" reflects the amount of insurance paid in advance that will have a future economic benefit.

F. Restricted Cash:

Cash is restricted for customer meter deposits. Restricted cash also consist of a reserve account in the amount of \$41,725. This reserve account is a requirement of the loan resolution security agreement with Rural Development (formally FmHa).

G. Retirement/Pension Plans:

The Pittsburg County Public Works Authority does not participate in any retirement plans or other post-employment benefit plans.

H. Receivables:

Accounts Receivable consists of the utilities billed that had not been collected at June 30, 2012. Allowance for uncollectible accounts receivable are based upon the aging of accounts receivable.

I. Investments:

Statutes authorize The Authority to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, The Authority can invest in direct debt securities of the United States unless an investment is expressly prohibited by law.

For purposes of the statement of cash flows, The Authority considers all highly liquid investments (excluding restricted assets) with maturity of three months or less when purchased to be cash equivalents.

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

J. Inventory of Supplies:

Inventory of Supplies is not reported on the financial statements of The Authority. The amount of inventory on hand is not material to the financial statements.

K. Vacation, Sick Leave, and Other Compensated Absences:

Vacation leave time will be credited as follows:

	Day Shift	Evening Shift
1 st PP – 35 th PP	1.54 hrs (per PP)	1.15 hrs
36 th PP – 182 nd PP	3.08 hrs (per PP)	2.31 hrs
183 rd PP and subsequent PP	4.00 hrs (per PP)	3.00 hrs

Vacation leave may be accumulated but shall not exceed 120 hours on the last day of the calendar year. Any leave in excess of 120 hours at the end of calendar year shall be paid at the lowest hourly rate for that calendar year.

Sick leave is available for regular, full-time employees. It will accumulate at the rate of 1.54 hours per bi-weekly pay period after the completion of the 180 day probationary period. This will provide forty (40) hours of sick leave per year.

Sick leave may be accumulated without regard to a maximum number of hours during employment by The Authority.

Any sick leave hours which are unused at the time of termination of an employee shall be paid for by The Authority at 50% of the hourly wage in effect for that employee at the time of termination.

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2012

NOTE 2 – RESTRICTED CASH:

The Loan Resolution Security Agreement with USDA Rural Development requires a reserve fund to be funded at ten percent of the monthly installment until the balance is equal to the annual installment amount. At June 30, 2012, the balance in the reserve account at First National Bank, McAlester, Oklahoma was \$41,725.

NOTE 3 – RETIREMENT/PENSION PLANS:

The Authority does not participate in any retirement plans or other post-employment benefit plans.

NOTE 4 – CHANGES IN FIXED ASSETS:

	<u>7/1/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/2012</u>
Land	\$ 21,623	\$ -	\$ -	\$ 21,623
Const in Progress	\$ 969,982	\$ 1,428,458	\$ -	\$ 2,398,440
Building	\$ 18,999	\$ -	\$ -	\$ 18,999
Office Equipment	10,945	641	-	11,586
Vehicles	66,359	2,500	(2,850)	66,009
Equipment	155,570	35,716	-	191,286
Water System	<u>2,847,577</u>	<u>1,212</u>	<u>-</u>	<u>2,848,789</u>
Total Assets	<u>3,099,450</u>	<u>40,069</u>	<u>(2,850)</u>	<u>3,136,669</u>
Less Acc. Depr.	<u>(1,581,619)</u>	<u>(90,511)</u>	<u>2,850</u>	<u>(1,669,280)</u>
Net Fixed Assets	<u>\$ 2,509,436</u>	<u>\$ 1,378,016</u>	<u>\$ -</u>	<u>\$ 3,887,452</u>

NOTE 5 – INSURANCE:

The Authority's facilities is insured under a blanket property and general liability insurance policy. The Authority also has insurance coverage on its vehicles.

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2012

NOTE 6 – CONTINGENT LIABILITIES:

The Board of Trustees of the Pittsburg County Public Works Authority is not aware of any contingent liabilities at June 30, 2012, which would materially affect The Authority's financial statements.

NOTE 7 – LONG-TERM DEBT:

As of June 30, 2012, the long-term debt payable from business-type activities resources consisted of the following:

	Notes Payable	Lease Purchases	Total
July 1, 2011	\$ 1,775,193	\$ 17,099	\$ 1,792,292
Added	1,009,871	30,350	1,040,221
Retired	<u>(57,366)</u>	<u>(11,277)</u>	<u>(68,643)</u>
June 30, 2012	<u>\$ 2,727,698</u>	<u>\$ 36,172</u>	<u>\$ 2,763,870</u>

United States Department of Agriculture,
Rural Development, loan 91-05 issued
March 16, 1984, in the amount of \$250,000
with interest rate of 5% for 40 years.
Monthly payments of \$1,228.

	<u>\$ 109,759</u>
Current Portion	\$ 9,406
Non-Current Portion	<u>100,353</u>
Total Note Payable	<u>\$ 109,759</u>

United States Department of Agriculture,
Rural Development, loan 91-08 issued
November 4, 1988, in the amount of \$367,100
with an interest rate of 4.75% for 40 years.
Monthly payments of \$1,726.

	<u>\$ 310,791</u>
Current Portion	\$ 6,054
Non-Current Portion	<u>304,737</u>
Total Note Payable	<u>\$ 310,791</u>

United States Department of Agriculture,
Rural Development, loan 91-10 issued
November 4, 1998, in the amount of \$555,400
with interest rate of 5% for 40 years.
Monthly payments of \$2,611.

	<u>\$ 470,276</u>
Current Portion	\$ 9,151
Non-Current Portion	<u>461,125</u>
Total Note Payable	<u>\$ 470,276</u>

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2012

NOTE 7 – LONG-TERM DEBT (Continued):

United States Department of Agriculture,
Rural Development, loan 91-11 issued
September 9, 2010, in the amount of \$1,598,000
with interest rate of 4.125% for 40 years.
Monthly payments of \$6,680.

	<u>\$ 1,521,392</u>
Current Portion	\$ 19,341
Non-Current Portion	1,502,051
Total Note Payable	<u>\$ 1,521,392</u>

United States Department of Agriculture,
Rural Development, loan 91-13 issued
June 10, 2010, in the amount of \$330,000
with interest rate of 3.25% for 40 years.
Monthly payments of \$1,243.

	<u>\$ 315,480</u>
Current Portion	\$ 4,690
Non-Current Portion	310,790
Total Note Payable	<u>\$ 315,480</u>

	<u>2,727,698</u>
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The annual requirements to amortize all note payables at June 30, 2012, follows:

Year Ending June 30,	Principal	Interest	Totals
2013	\$ 48,642	\$ 113,214	\$ 161,856
2014	50,804	111,052	161,856
2015	53,063	108,793	161,856
2016	55,425	106,431	161,856
2017	57,894	103,962	161,856
2018-2022	321,453	479,231	800,684
2023-2027	325,638	409,962	735,600
2028-2032	402,307	333,293	735,600
2033-2037	497,318	238,282	735,600
2038-2042	410,902	138,207	549,109
2043-2047	413,944	61,436	475,380
2048-2049	90,308	4,897	95,205
Totals	<u>\$ 2,727,698</u>	<u>\$ 2,208,760</u>	<u>\$ 4,936,458</u>

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2012

NOTE 7 – LONG-TERM DEBT (Continued):

The Company has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause, which gives the Company the ability to terminate the lease agreement at the end of each fiscal year.

The Company has recorded the liability for future lease payments in the general long-term debt account group for the equipment. The schedule of the future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, is as follows:

<u>Year ending June 30</u>	<u>Ford F250</u>	<u>Excavator</u>	<u>Total</u>
2013	\$ 4,524	\$ 7,573	\$ 12,097
2014	4,524	7,573	12,097
2015	4,524	8,623	13,147
2016	1,508	-	1,508
Total minimum lease payments	<u>15,080</u>	<u>23,769</u>	<u>38,849</u>
Less: Amount representing interest	<u>1,521</u>	<u>1,157</u>	<u>2,678</u>
Present value of future minimum lease payments	<u>\$ 13,559</u>	<u>\$ 22,612</u>	<u>\$ 36,171</u>

NOTE 8 – WORKING CAPITAL:

The net working capital (current assets less current liabilities) was \$113,538 at June 30, 2012.

NOTE 9 – CASH AND CASH EQUIVALENTS:

The table presented below is designed to disclose the level of custody credit risk assumed by The Authority based upon how its deposits were insured at June 30, 2012.

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Total Carrying Balance</u>	<u>Custody Credit Risk Category</u>			<u>Value</u>
			<u>1</u>	<u>2</u>	<u>3</u>	
Demand Deposits						
First National Bank	\$127,040	\$121,406	\$127,040	\$ -	\$ -	\$127,040
Totals	<u>\$127,040</u>	<u>\$121,406</u>	<u>\$127,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$127,040</u>

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Notes to the Financial Statements
June 30, 2012

NOTE 10 – LEASE AGREEMENT:

On November 15, 1963, The Authority entered into lease agreements with the towns of Canadian, Oklahoma, and Crowder, Oklahoma, wherein the two existing water systems and related facilities were leased to The Authority. Each lease covers a primary term of fifty (50) years and is renewable for an additional fifty (50) year period at the option of The Authority. Annual rental for each lease in the amount of \$100 became effective as of December 1, 1963. However, both municipalities waived payment; and, as a result, no payments of rental have ever been paid.

NOTE 11 – LAND USED BY THE AUTHORITY:

Legal title to 20.72 acres of land used in conjunction with the Crowder Water Supply Lake has not been obtained by the Authority.

NOTE 12 – RELATED PARTY TRANSACTIONS:

The Authority is a collection agency for sewer and trash for the towns of Canadian and Crowder. Charges for these services have been included in the computer billings for water services. Amounts collected for sewer and trash have been refunded to the respective town treasurers. The Authority charges no fee for this collection service.

Note 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 12, 2014, the date on which the financial statements were available to be issued. The Authority does not believe there are any events requiring disclosure.

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
Crowder, Oklahoma

Schedule of Federal Awards Expended
June 30, 2012

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA#</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Water and Waste Disposal System For Rural Communities	10.760		\$ 1,009,871
U.S. Department of Agriculture Water and Waste Disposal System For Rural Communities	10.760		<u>412,777</u>
Total U.S. Department of Agriculture			<u>1,422,648</u>
Total Expenditures of Federal Awards			<u>\$ 1,422,648</u>

See accompanying notes to the schedule of expenditures of federal awards.

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Pittsburg County Public Works Authority (the Authority) under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees
Pittsburg County Public Works Authority
Crowder, Oklahoma

Compliance

I have audited Pittsburg County Public Works Authority 's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Pittsburg County Public Works Authority 's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of it's major federal programs is the responsibility of Pittsburg County Public Works Authority 's management. My responsibility is to express an opinion on Pittsburg County Public Works Authority 's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pittsburg County Public Works Authority 's compliance with those requirements and performing such other procedures as I considered necessary in the circumstance. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Pittsburg County Public Works Authority 's compliance with those requirements.

In my opinion, Pittsburg County Public Works Authority , complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

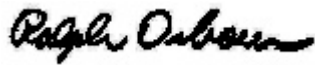
Internal Control Over Compliance

Management of Pittsburg County Public Works Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Pittsburg County Public Works Authority 's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Pittsburg County Public Works Authority 's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, Board of Trustees, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
June 12, 2014

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
Pittsburg County Public Works Authority
Crowder, Oklahoma

I have audited the financial statements of the business-type activities of Pittsburg County Public Works Authority, as of and for the year ended June 30, 2012, which collectively comprise Pittsburg County Public Works Authority's basic financial statements and have issued my report thereon dated June 12, 2014 which did not include Management's Discussion and Analysis. I conducted my 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 my audit, I considered Pittsburg County Public Works Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pittsburg County Public Works Authority's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of Pittsburg County Public Works Authority's internal control over financial reporting.

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.

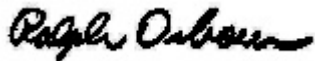
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pittsburg County Public Works Authority's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 management, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
June 12, 2014

PITTSBURG COUNTY PUBLIC WORKS AUTHORITY
 CROWDER, OKLAHOMA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2012

Section I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ___ Yes X No

Significant deficiency identified that is not considered to be material weakness(es)? ___ Yes X None Reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

Material Weakness(es) identified? ___ Yes X No

Significant deficiency identified that is not considered to be material weakness(es)? ___ Yes X None Reported

Type of auditor's report issued on compliance to major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 ___ Yes X No

Programs tested as Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal System

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ___ Yes X No

Section II - Financial Statement Findings

No matters were noted.

Section III - Federal Award Findings and Questioned Cost

No matters were noted.