

# Wagoner Public Works Authority

P.O. BOX 406  
City Offices 485-2554

Wagoner Oklahoma 74467  
City Clerk 485-4586

## FINANCIAL STATEMENTS

JUNE 30, 2012



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

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**WAGONER PUBLIC WORKS AUTHORITY**

A COMPONENT UNIT OF THE CITY OF WAGONER, OKLAHOMA

FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2012

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Wagoner Public Works Authority  
Wagoner, OK

We have audited the accompanying financial statements of the business-type activities of the Wagoner Public Works Authority, a component unit of the City of Wagoner, Oklahoma, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Wagoner Public Works Authority's management. 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 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 audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Wagoner Public Works Authority as of June 30, 2012, and the respective changes in its financial position and its cash flows for the year 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 our report dated October 10, 2012, on our consideration of the Wagoner 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 audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages I through VIII 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 a 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 inquires, 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.

*Clothier & Company CPA's*

Clothier & Company, CPA's, P.C.  
October 10, 2012

## Required Supplemental Information

# Wagoner Public Works Authority

P.O. Box 406

Wagoner, Oklahoma 74477

City Offices 485-2554 • City Clerk 485-4586 • Fax 485-4748

## Management's Discussion and Analysis For Year Ended June 30, 2012

As management of the Wagoner Public Works Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2012. The Authority implemented Governmental Accounting Standards Board Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

### Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$12,665,717 (net assets). Of this amount, \$2,973,917 (unrestricted net assets) may be used to meet the authority's ongoing obligations to citizens and creditors in accordance with the Authority's fund designation and fiscal policies.
- The Authority's total net assets decreased by \$192,912 upon fiscal year end, but historically increased by \$457,221 and \$927,557 for 2011 and 2010 respectively. For the 11/12 fiscal year, unrestricted net assets increased by \$78,081.
- The Authority's total liabilities were \$6,109,890 at the end of the 2011/12 fiscal year, a decrease of \$164,483 from the \$6,274,373 for the 2010/11 fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the Authority was \$2,973,917 or 23.5% of the total budgeted expenditure, as compared to 22.5% for the prior year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) unit-wide financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Authority operates a utility service in a proprietary fund.

**Unit-wide financial statements** – The authority-wide financial statements are designed to provide readers with a broad overview of the Authority's finance, in a manner similar to a private-sector business.

The Balance Sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or

decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Income Statement presents information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

The business-type activities of the Authority include Sanitation, Water, Sewer, and Electric.

The financial statements can be found on pages 3 through 6 of this report.

**Proprietary Funds** – The Authority maintains one proprietary fund. The Authority uses a proprietary fund to account for all its water, sewer, electric, and sanitation operations.

**Notes to the Financial Statements** - The footnote section provides additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 7 through 13 of this report.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budget versus actual. Required supplementary information can be found on pages 18 through 29 of this report.

## **Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. In the case of the Wagoner Public Works Authority, assets exceeded liabilities by \$12,665,717 as of June 30, 2012.

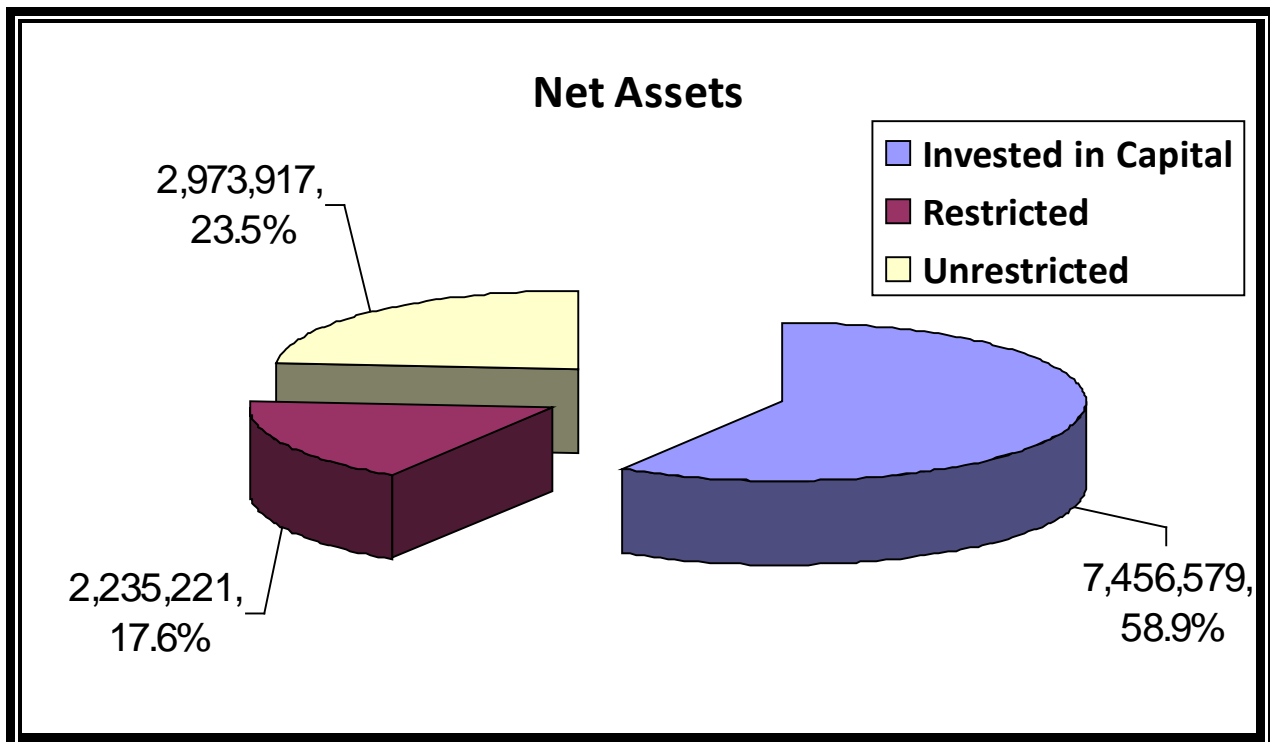
The largest portion of the Authority's net assets, 58.9%, (as compared to 60.5% in 2011) is invested in capital assets. The Authority uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Restricted net assets of the Authority are 17.6% (as compared to 17% in 2011) of total net assets and are subject to external restriction on how they may be used. The percentage of restricted net assets to total net assets has increased by .6%. The remaining balance of unrestricted net assets \$2,973,917 may be used to meet the authority's ongoing obligation to citizens and creditors.

As of June 30, 2012, the Authority is able to report positive balances in all three categories of net assets.

The implementation of GASB Statement 34 requires the Authority to present comparable information in the various analysis.

### WPWA's Net Assets

|   | <u>June 30,</u><br><u>2012</u> | <u>June 30,</u><br><u>2011</u> | INCREASE<br>(DECREASE) |
|---|--------------------------------|--------------------------------|------------------------|
| Current assets                          | 5,449,712                      | 5,412,109                      | 37,603                 |
| Capital assets and other assets         | <u>13,325,895</u>              | <u>13,720,893</u>              | <u>(394,998)</u>       |
| Total Assets                            | <u>\$18,775,607</u>            | <u>\$19,133,002</u>            | <u>(\$357,395)</u>     |
| Current liabilities                     | 1,615,892                      | 1,613,526                      | 2,366                  |
| Other liabilities                       | <u>4,493,998</u>               | <u>4,660,847</u>               | <u>(166,849)</u>       |
| Total Liabilities                       | <u>\$6,109,890</u>             | <u>\$6,274,373</u>             | <u>(\$164,483)</u>     |
| Net assets:                             |                                |                                |                        |
| Invested in capital assets, net of debt | 7,456,579                      | 7,780,989                      | (324,410)              |
| Restricted                              | 2,235,221                      | 2,181,804                      | 53,417                 |
| Unrestricted                            | <u>2,973,917</u>               | <u>2,895,836</u>               | <u>78,081</u>          |
| Total Net Assets                        | <u>\$12,665,717</u>            | <u>\$12,858,629</u>            | <u>(\$192,912)</u>     |

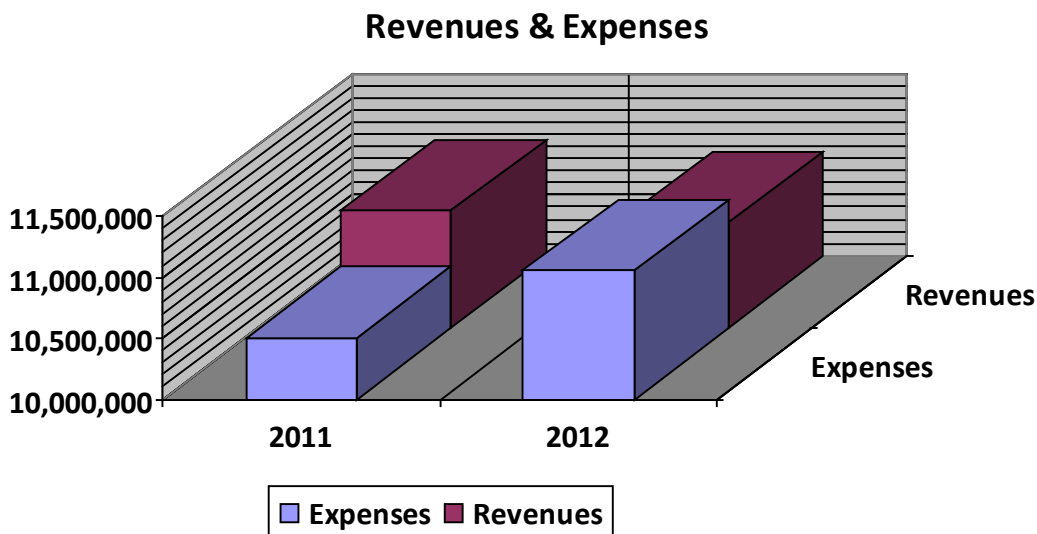




**Analysis of the Authority's Operations** – The following table provides a summary of the Authority's operations for the years ended June 30, 2012 and 2011. Business activities increased the Authority's net assets by \$(192,912) and \$457,221 respectively.

**Wagoner Public Works Authority's Changes in Net Assets**

|                                       | <u>2012</u>             | <u>2011</u>             | INCREASE<br>(DECREASE) |
|---------------------------------------|-------------------------|-------------------------|------------------------|
| <b>Revenues:</b>                      |                         |                         |                        |
| Program Revenues:                     |                         |                         |                        |
| Charges for services                  | 10,773,873              | 10,685,195              | 88,678                 |
| Operating grants and contributions    | 2,893                   | 22,922                  | (20,029)               |
| Capital grants and contributions      | 0                       | 0                       | 0                      |
| General revenues:                     |                         |                         |                        |
| Investment earnings                   | 35,923                  | 31,416                  | 4,507                  |
| Transfer- in                          | 45,550                  | 217,200                 | (171,650)              |
| Total Revenues                        | <u>\$10,858,239</u>     | <u>\$10,956,733</u>     | <u>(\$98,494)</u>      |
| <b>Expenses:</b>                      |                         |                         |                        |
| General government and administration | 664,774                 | 862,341                 | (197,567)              |
| Utility and supporting services       | <u>10,386,377</u>       | <u>9,637,171</u>        | <u>749,206</u>         |
| Total expenses                        | <u>\$11,051,151</u>     | <u>\$10,499,512</u>     | <u>\$551,639</u>       |
| <br>Increase (Decrease) in net assets | <br>(192,912)           | <br>457,221             | <br>(643,602)          |
| <br>Net assets – July 1               | <br><u>12,858,629</u>   | <br><u>12,401,408</u>   | <br><u>457,221</u>     |
| <br>Net assets- June 30               | <br><u>\$12,665,717</u> | <br><u>\$12,858,629</u> | <br><u>(\$192,912)</u> |



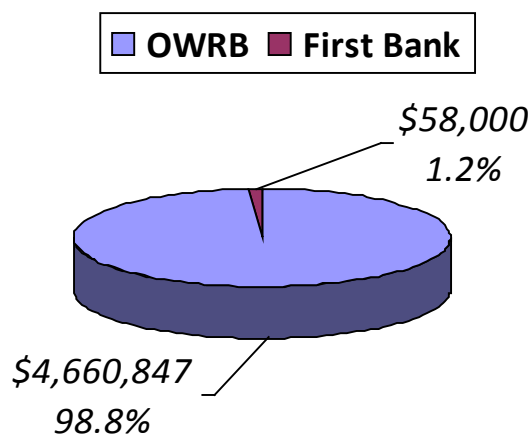
## Debt Administration

At the end of the current fiscal year, the Authority had a total notes payable of \$4,718,847, as compared to \$4,821,668 at the end of the prior year. This is a decrease of \$102,821. The Authority signed a note in October 2011 for \$58,000 with the First Bank and Trust of Wagoner for the purchase of a F550 Ford Aerial Lift Truck. The loan is to be repaid in full October 2012. The truck was pledged as collateral.

### Outstanding Debt at Year End Bonds and Notes Payable

|                              | BALANCE<br>6/30/2011 | PROCEEDS | PAYMENT   | BALANCE<br>6/30/2012 |
|------------------------------|----------------------|----------|-----------|----------------------|
| N/P OWRB (WATER SYSTEM)      | 4,010,000            | 0        | 130,000   | 3,880,000            |
| N/P OWRB (STIMULAS LOAN)     | 811,668              | 0        | 30,821    | 780,847              |
| N/P FIRST BANK (AERIAL LIFT) | 0                    | 58,000   | 0         | 58,000               |
| <br>TOTALS                   | \$4,821,668          | \$58,000 | \$160,821 | \$4,718,847          |

### DEBT BY LENDER



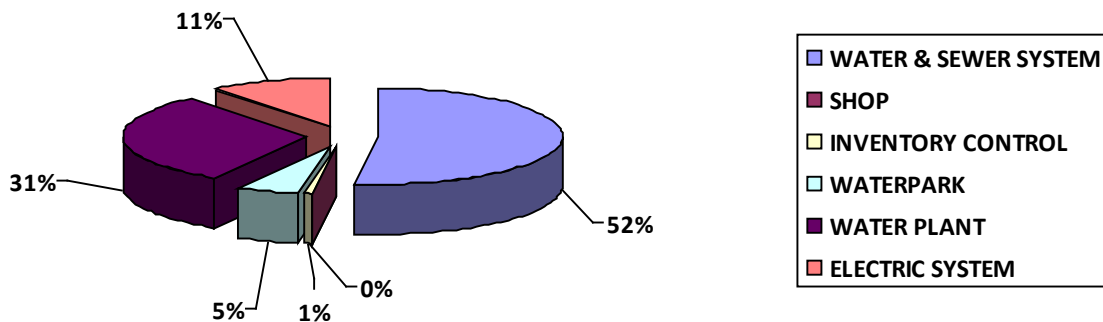
## Capital Assets

The following is a description of significant capital assets and the changes during the current year.

|                      | COST                |                  |           |                     |
|----------------------|---------------------|------------------|-----------|---------------------|
|                      | BALANCE             |                  |           | BALANCE             |
|                      | 6/30/2011           | ADDITIONS        | DELETIONS | 6/30/2012           |
| ELECTRIC SYSTEM      | \$3,697,081         | 109,006          | 0         | \$3,806,087         |
| WATER & SEWER SYSTEM | 11,280,241          | 1,897            | 0         | 11,282,138          |
| INVENTORY CONTROL    | 125,892             | 0                | 0         | 125,892             |
| SHOP                 | 52,420              | 0                | 0         | 52,420              |
| WATER PLANT          | 4,799,054           | 47,813           | 0         | 4,846,867           |
| WATER PARK           | 1,036,300           | 0                | 0         | 1,036,300           |
|                      | <u>\$20,990,988</u> | <u>\$158,716</u> | <u>0</u>  | <u>\$21,149,704</u> |

|                      | ACCUMULATED DEPRECIATION |                  |           |                    |
|----------------------|--------------------------|------------------|-----------|--------------------|
|                      | BALANCE                  |                  |           | BALANCE            |
|                      | 6/30/2011                | EXPENSE          | DELETIONS | 6/30/2012          |
| ELECTRIC SYSTEM      | \$2,372,429              | 127,154          | 0         | \$2,499,583        |
| WATER & SEWER SYSTEM | 4,627,376                | 302,781          | 0         | 4,930,157          |
| INVENTORY CONTROL    | 58,941                   | 3,597            | 0         | 62,538             |
| SHOP                 | 25,907                   | 4,433            | 0         | 30,340             |
| WATER PLANT          | 949,721                  | 121,022          | 0         | 1,070,743          |
| WATER PARK           | 353,957                  | 26,960           | 0         | 380,917            |
|                      | <u>\$8,388,331</u>       | <u>\$585,947</u> | <u>0</u>  | <u>\$8,974,278</u> |

### BOOK VALUES



## **Financial Analysis of Authority Funds**

The following shows significant variations between original and final budget amounts and between final budget amounts and actual results for the Authority:

- Shortly after the beginning of 11/12 fiscal year, the Authority was contacted by the Oklahoma Department of Emergency Management to notify us that an overpayment of \$111,388 was made during FEMA disbursements for recovery from the January 2007 ice storm. The Board approved to pay back half of the funds in FY 11/12 and half in FY 12/13.
- In July 2011, the Wagoner Water Plant suffered a malfunction causing one of two existing filters to become non-operational. The water plant had to temporarily shut down while filter media screens were being fabricated to replace both the broken parts, as well as filters that were under distress. Labor and materials for the fabrication totaled \$26,585 and there were also miscellaneous costs associated with the repair that had not been anticipated in the Authority's original budget.
- Reliable power funds of \$240,000 were not spent during the year and were rolled into a cd to be set aside for future use.
- The Authority budgeted \$50,000 to purchase a sewer line camera and \$25,000 in the Brush Dept. for equipment; however the items were not purchased during the year and the funds have been rolled over into the next budget.

## **Economic Factors and Next Year's Budget and Rates.**

- A stipend bonus was budgeted this year for employees in lieu of across the board raises. Raises were also given to some employees for receiving license upgrades, for ending probation, and also a pay scale increase for the Brush Dept.
- The WPWA will be expanding the Wagoner Water Plant to meet new DEQ standards. The current cost estimate for the expansion is approximately \$8,000,000. The expansion will be funded by an increase in water rates, effective October 2012, as well as a low interest loan from OWRB. The existing OWRB water plant loan was refinanced resulting in an approximate overall gross savings of \$623,000.
- The Authority will be undergoing a \$1,034,000 project to transition to an Automated Meter Reading system in the fall of 2012. It is estimated that operating and maintenance costs should be reduced by \$171,327 annually as a result of the system, as well as having the access to new technology. This project will be funded by a \$1,000,000 OWRB loan, water revenues, and a possible grant.
- The Authority will pay off The American Bank for the aerial lift bucket truck loan payment, \$58,000 and the Oklahoma Dept. of Emergency Management for overpayment during the 2007 ice storm, \$55,700.

## Request for information

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Authority's finances. If you have questions about this report or need any additional information, you may contact any one of the following at the Wagoner Public Works Authority, P.O. Box 406, Wagoner, OK 74477, or by calling (918)-485-4586, or by the e-mail addresses provided below.



Dwayne Elam  
Public Works Director  
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Rhonda Hash  
City Clerk/MPWA Secretary  
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Laura Duvall  
Comptroller  
[lduvallcityofwag@aol.com](mailto:lduvallcityofwag@aol.com)

**WAGONER PUBLIC WORKS AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2012**

**ASSETS**

|                                   |                    |
|-----------------------------------|--------------------|
| Current Assets                    |                    |
| Cash and Cash Equivalents         | \$ 4,087,431       |
| Accounts Receivable Net Allowance | 753,304            |
| Interest Receivable               | 13,463             |
| Inventory                         | 510,432            |
| Prepays                           | 4,438              |
| Due from other Funds              | 80,644             |
| Total Current Assets              | <u>5,449,712</u>   |
| Noncurrent Assets                 |                    |
| Restricted Cash                   | 1,150,468          |
| Capital Assets                    |                    |
| Shop                              | 52,420             |
| Water and Sewer System            | 11,282,139         |
| Water Plant                       | 4,846,867          |
| Electric System                   | 3,806,087          |
| Waterpark                         | 1,036,300          |
| Inventory Control                 | 125,892            |
| Accumulated Depreciation          | <u>(8,974,278)</u> |
| Total Noncurrent Assets           | <u>13,325,895</u>  |
| Total Assets                      | <u>18,775,607</u>  |

**LIABILITIES**

|                               |                  |
|-------------------------------|------------------|
| Current Liabilities           |                  |
| Accounts Payable              | 575,993          |
| Due to Customers              | 549,449          |
| Due To Other Funds            | 112,825          |
| Salaries and Benefits Payable | 89,813           |
| Interest Payable              | 62,963           |
| Current Maturities            | <u>224,849</u>   |
| Total Current Liabilities     | 1,615,892        |
| Noncurrent Liabilities        |                  |
| Loan on Water Plant           | 3,880,000        |
| OWRB 2010 Stimulus Loan       | 780,847          |
| Loan on 2008 Bucket Truck     | 58,000           |
| Less: Current Maturities      | <u>(224,849)</u> |
| Total Noncurrent Liabilities  | <u>4,493,998</u> |
| Total Liabilities             | <u>6,109,890</u> |

**NET ASSETS**

|                                    |                      |
|------------------------------------|----------------------|
| Investment in General Fixed Assets | 7,456,579            |
| Restricted for:                    |                      |
| Deposits and Loan Repayment        | 1,150,468            |
| Other Purposes                     | 1,084,753            |
| Unrestricted                       | <u>2,973,917</u>     |
| Total Net Assets                   | <u>\$ 12,665,717</u> |

**WAGONER PUBLIC WORKS AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

|                             | <b>Business-type<br/>Enterprise</b> |
|-----------------------------|-------------------------------------|
| <hr/>                       |                                     |
| <b>Operating Revenues</b>   |                                     |
| Charges for Services        | \$ 10,773,873                       |
| <br>                        |                                     |
| Total Operating Revenues    | 10,773,873                          |
| <br>                        |                                     |
| <b>Operating Expenses</b>   |                                     |
| Salaries                    | 1,326,237                           |
| Overtime                    | 52,428                              |
| Outside Consultant          | 3,123                               |
| Payroll Taxes               | 112,515                             |
| Employee Insurance          | 155,658                             |
| Workers Comp Insurance      | 73,830                              |
| Retirement                  | 99,450                              |
| Retirement Administration   | 933                                 |
| Supplies                    | 543,517                             |
| Copier Maintenance          | 1,307                               |
| Repair & Maint-General      | 122,240                             |
| Chlorine Room               | 6,370                               |
| Gas Oil & Filters-Vehicles  | 69,712                              |
| Postage Machine Rental      | 4,961                               |
| Uniform Expense             | 33,390                              |
| School And Training         | 7,824                               |
| Repair                      | 39,120                              |
| Trust Service Fees          | 5,592                               |
| Insurance-General           | 55,563                              |
| Postage                     | 26,995                              |
| Workers Comp Claims         | 216                                 |
| Repair & Maint - Vehicle    | 29,529                              |
| Generator Maintenance       | 14,062                              |
| DEQ Employee License        | 2,346                               |
| ONG/ Gas Bill               | 1,052                               |
| Diagnostic Service Fees     | 4,608                               |
| Computer Software Maint     | 821                                 |
| DEQ Water Fees              | 13,353                              |
| Telephone                   | 24,603                              |
| Auditing                    | 12,500                              |
| Bad Debt / Theft Expense    | 33,891                              |
| Legal                       | 6,008                               |
| Refuse Collection           | 663,551                             |
| Rural Water Dist #6         | 12,392                              |
| Electricity                 | 78,766                              |
| Landfill Costs              | 3,165                               |
| Security Alarm Service      | 696                                 |
| Laboratory Analysis         | 10,049                              |
| G.R.D.A. Electricity        | 5,230,712                           |
| MESO Dues                   | 5,635                               |
| EMS - Water Meter Surcharge | 448,386                             |
| Adjustments & Refunds       | 934                                 |
| Customer Broadcast Service  | 4,050                               |
| ODEM Reimb 2007 Ice Storm   | 55,694                              |
| Charge Card Fees            | 1,174                               |
| Water Tower Compliance      | 54,705                              |
| Engineering Payment         | 7,855                               |

See Notes to Financial Statements

**WAGONER PUBLIC WORKS AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

|   | <b>Business-type<br/>Enterprise</b> |
|---|-------------------------------------|
| WPWA Utilities  | 128,543                             |
| Depreciation Expense  | 585,947                             |
| Total Operating Expenses                                    | 10,176,008                          |
| <br><b>Operating Income (Loss)</b>                          | <br>597,865                         |
| <br><b>Non-Operating Revenues (Expenses)</b>                |                                     |
| Interest Earnings   | 35,923                              |
| Interest Expense  | (210,369)                           |
| Non Operating Income  | 2,893                               |
| Total Non-Operating Revenues (Expenses)                     | (171,553)                           |
| <br><b>Income (Loss) Before Contributions and Transfers</b> | <br>426,312                         |
| <br>Transfers In  | 45,550                              |
| Transfers Out   | (664,774)                           |
|   | (619,224)                           |
| <br><b>Change in Net Assets</b>                             | <br>(192,912)                       |
| <br><b>Net Assets - Beginning</b>                           | <br>12,858,629                      |
| <br><b>Net Assets - Ending</b>                              | <br>\$ 12,665,717                   |



**WAGONER PUBLIC WORKS AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDING JUNE 30, 2012**

|   | 2012                       |
|---|----------------------------|
| <b>Cash Flows From Operating Activities:</b>                                  |                            |
| Receipts from Customers   | 10,675,668.00              |
| Payment to Suppliers  | (7,750,258.00)             |
| Other Operating Income  | 18,264.00                  |
| Payment to Employees  | (1,865,428.00)             |
| <b>Net Cash Provided by Operations</b>  | <u>1,078,246</u>           |
| <b>Cash Flows From Noncapital Financing Activities:</b>                       |                            |
| Other NonOperating Income   | 2,893.00                   |
| Interest Paid on Long Term Debt   | (210,369.00)               |
| Accounts Payable Affiliates   | (48,076.00)                |
| Transfers Out   | (619,224.00)               |
| <b>Net Cash (Used) by Noncapital Financing Activities</b>                     | <u>(874,776)</u>           |
| <b>Cash Flows From Capital and Related Financing Activities:</b>              |                            |
| Proceeds from Issuance of Debt  | 58,000.00                  |
| Payment of Debt   | (160,821)                  |
| Disposal of Asset   |                            |
| Purchase of Capital Assets  | (158,716)                  |
| <b>Net Cash (Used) by Capital and Related Financing Activities</b>            | <u>(261,537)</u>           |
| <b>Cash Flows From Investing Activities:</b>                                  |                            |
| Receipts of Interest and Dividends  | 42,454                     |
| Increase in Cash Reserve  | (32,232)                   |
| <b>Net Cash (Used) by Investing Activities</b>                                | <u>10,222</u>              |
| <b>Net Increase in Cash and Cash Equivalents</b>                              | (47,845)                   |
| Cash and Cash Equivalents at Beginning of Year                                | <u>4,135,276.00</u>        |
| <b>Cash and Cash Equivalents at End of Year</b>                               | <u><u>\$ 4,087,431</u></u> |
| <b>Reconciliation of Operating Income (Loss) to Net Cash</b>                  |                            |
| Provided by (Used) Operating Activities:                                      |                            |
| Operating Income (Loss)   | 597,865                    |
| Adjustments to reconcile operating income to net cash provided by operations: |                            |
| Add Depreciation Expense  | 585,947                    |
| (Increase) Decrease Current Assets  |                            |
| (Increase) Decrease Receivables, Net  | (98,205)                   |
| (Increase) Decrease Inventories   | 6,631                      |
| Increase (Decrease) Current Liabilities                                       |                            |
| Increase (Decrease) Accounts Payable  | 8,998                      |
| Increase (Decrease) Accrued Liabilities                                       | (41,254)                   |
| Increase (Decrease) Other Liabilities   | 18,264                     |
| <b>Net Cash Provided by (Used in) Operating Activities</b>                    | <u><u>\$ 1,078,246</u></u> |
| Interest Expense  | 210,369                    |

## WAGONER PUBLIC WORKS AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS

Component Unit of The City of Wagoner, Oklahoma  
For the Year Ending June 30, 2012

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### REPORTING ENTITY

Wagoner Public Works Authority (WPWA) is a public trust and a component unit of the City of Wagoner, Oklahoma. The WPWA was created in 1972 in the interest of the public health and for the purpose of providing adequate sewer and drainage facilities in the City of Wagoner. The WPWA is governed by a board of 8 trustees. The WPWA is managed by a director and supervisors and utilizes the accounting office of the City to maintain its accounting records.

##### PROPRIETARY FUND ACCOUNTING

The financial statements of the Wagoner Public Works 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." The Authority has elected to apply all applicable GASB pronouncements as well as 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 GASB pronouncements.

##### Gross Revenue Fund

The Gross Revenue Fund accounts for the activities of the Wagoner Public Works Authority in much the same way that a private business would account for its activities. The intent of which being that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Authority provides electric service, water service, sewer service, and refuse collections for the residents of Wagoner, Oklahoma.

##### BASIS OF PRESENTATION

In June 1999, the Governmental Accounting Standards Board ("GASB") issued Statement No. 34 *Basic Financial Statements and Management 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 Wagoner 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. Wagoner Public Works Authority implemented Statement No. 38 in conjunction with Statement No. 34 in a previous year.

## WAGONER PUBLIC WORKS AUTHORITY

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T.)

#### BASIS OF ACCOUNTING

The Authority utilizes the accrual basis of accounting for its business type activities. Under this method, revenues are recorded when earned and expenses when incurred. The financial statements are presented using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the utility system are included on the statement of net assets. Total net assets are segregated into 1) amounts invested in plant, infrastructure and facilities, net of related debt, 2) restricted for payment of loan principal and interest and 3) unrestricted. Operating statements present increases and decreases in net assets.

#### BUDGETS AND BUDGETARY ACCOUNTING

The Board of Trustees of the Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. The Wagoner Public Works Authority voluntarily submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the two preceding years. The budget is submitted in summary form. In addition, more detailed line item budgets are included for administrative control.
- B. Public hearings are conducted to obtain taxpayer comment.
- C. Prior to June 30 the budget is legally enacted through passage of an ordinance.
- D. The Public Works secretary is required to present a monthly report to the Board of Trustees, showing any variance from the approved budget.

#### CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents include all highly liquid debt instruments with maturities of three months or less at the date of their acquisition. Funds held in reserve are not considered to be part of cash.

#### ACCOUNTS RECEIVABLE

The Authority is principally a utility provider including electric, water, sewer and sanitation services to the residents of the City of Wagoner Oklahoma. The Authority grants credit to customers, most of who are residential homes, under credit terms that the Authority believes are customary in the industry. Deposits are obtained from customers based on the Authorities policies as to type of customer.

Operating revenues are defined as those revenues generated directly from the primary activity of services provided by the Wagoner Public Utilities Authority, non operating revenues are those generated by non utility services such as interest income or disposal of equipment. Revenues are recognized when there is persuasive evidence of an arrangement, delivery has occurred, the price

WAGONER PUBLIC WORKS AUTHORITY

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T.)

has been fixed or is determinable, and collectability can be reasonably assured. The Authority provides allowances for expected doubtful accounts based upon historical bad debt.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Additions, renewals, and betterments 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 provide 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> |
|---|--------------------|------------------------------|
| Building and improvements.....                      | Straight-line..... | 40 Years                     |
| Vehicles.....                                       | Straight-line..... | 5 Years                      |
| Electric, sewer & water systems & improvements..... | Straight-line..... | 40Years                      |
| Equipment.....                                      | Straight-line..... | 10 Years                     |

INVENTORIES

Items in inventory consist of finished goods to be used for the repair and maintenance of the utility infrastructure. The items are not for sale. Inventories are stated at fair market value. A physical inventory is taken at the end of the year. Due to the implementation of Statement No. 34, Wagoner Public Works Authority has also done an inventory of small equipment that is not capitalized.

INVESTMENTS

Investments are stated at cost, which approximates market. Investment income consists of interest and dividends.

METER DEPOSITS

Meter Deposits consist of deposits paid for the use of water and electric meters by citizens of Wagoner. The cash is deposited in the First Wagoner Bank and in certificates of deposit. By law these deposits are either applied against their account or are refunded when the depositor moves from the address where the meter is located.

COMPENSATED ABSENCES

A total of 30 days vacation may be accumulated by each employee and carried over to the next year. Accrued vacation is recorded as a liability of the Authority. When an employee is

WAGONER PUBLIC WORKS AUTHORITY

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T.)**

terminated or quits, accumulated vacation is paid. The Authority will pay twenty-five dollars for each unused accrued sick leave day to a maximum of one hundred days at either: death, disability retirement, retirement at age 65 or older, or early retirement age 55 or older, plus 10 years of continuous service. When an employee is terminated or quits, they are not paid for the accrued sick leave. As of June 30, 2012 the Public Works Authority had unrecorded sick leave of \$206,493.

**2. ECONOMIC DEPENDENCY**

The Wagoner Public Works Authority is dependent on the Grand River Dam Authority (G.R.D.A.) for their purchase of electricity used for re-sale. For the year ended June 30, 2012, the Wagoner Public Works Authority purchased \$5,230,712 worth of electricity from G.R.D.A.

**3. CASH AND INVESTMENTS**

The Wagoner Public Works Authority maintains depository accounts with First Bank and Trust and American Bank for use by individual funds. Investments consist of Certificates of Deposit, all of which are kept with the same banks noted above. For custodial credit risk each depository maintains segregated collateral in an amount proportionate to its deposits. Funds restricted for debt service are maintained by BOK Trust Services, an outside custodian.

**4. ACCOUNTS RECEIVABLE**

|                                      |            |
|--------------------------------------|------------|
| Due from customers.....              | 829,826    |
| Less allowance for bad accounts..... | (76,522)   |
|                                      | \$ 753,304 |

**5. PROPERTY AND EQUIPMENT**

| Description       | Beginning<br>Fixed Assets | Additions | Retirements | Ending<br>Balance |
|-------------------|---------------------------|-----------|-------------|-------------------|
| Water & Sewer     | \$11,280,241              | \$1,897   | \$0         | \$11,282,138      |
| Electric System   | 3,697,081                 | 109,006   | 0           | 3,806,087         |
| Inventory Control | 125,892                   | 0         | 0           | 125,892           |
| Water Park        | 1,036,300                 | 0         | 0           | 1,036,300         |
| Water Plant       | 4,799,054                 | 47,813    | 0           | 4,846,867         |
| Shop              | 52,420                    | 0         | 0           | 52,420            |
|                   | \$20,990,988              | \$158,716 | \$0         | \$21,149,704      |

| Description       | Accumulated<br>Depreciation | Expense   | Retirements | Ending<br>Balance |
|-------------------|-----------------------------|-----------|-------------|-------------------|
| Water & Sewer     | \$4,627,376                 | \$302,781 | \$0         | \$4,930,157       |
| Electric System   | 2,372,429                   | 127,154   | 0           | \$2,499,583       |
| Inventory Control | 58,941                      | 3,597     | 0           | \$62,538          |

**WAGONER PUBLIC WORKS AUTHORITY**

|             |                    |                  |            |                    |
|-------------|--------------------|------------------|------------|--------------------|
| Water Park  | 353,957            | 26,960           | 0          | \$380,917          |
| Water Plant | 949,721            | 121,022          | 0          | \$1,070,743        |
| Shop        | 25,907             | 4,433            | 0          | \$30,340           |
|             | <u>\$8,388,331</u> | <u>\$585,947</u> | <u>\$0</u> | <u>\$8,974,278</u> |

**6. TRANSFERS**

The Gross Revenue Fund regularly transfers money and assets to and from other funds. During the year ended June 30, 2012 the following transfers were made from the Gross Revenue Fund.

|  |                     |
|--|---------------------|
| City of Wagoner – operations .....           | \$ (565,727)        |
| City of Wagoner – utilities .....            | (90,418)            |
| Emergency Medical Services – utilities ..... | <u>(8,629)</u>      |
| Transfers Out .....                          | <u>\$ (664,774)</u> |
| Economic Development Fund – .....            | <u>45,550</u>       |
| Transfers In .....                           | <u>\$ 45,550</u>    |

**7. CONCENTRATION OF CREDIT RISK**

The Wagoner Public Works Authority maintains their bank accounts in three banks located in Oklahoma. Noninterest bearing accounts are guaranteed by the Federal Deposit Insurance Corporation up to the full amount of deposits until 12/31/2012. A summary of the total insured and uninsured cash balances as well as safekeeping receipts are as follows:

|   | American             | First Bank           | BOK         | Petty<br>Cash |
|---|----------------------|----------------------|-------------|---------------|
| Wagoner Public Works Authority.....                           | \$381,000            | \$4,356,399          | \$499,095   | 1,400         |
| FDIC Non Interest Bearing accounts.....                       | 0                    | 0                    | 0           | 0             |
| Portion Insured by FDIC.....                                  | (250,000)            | (250,000)            | 0           | 0             |
| U.S. Treasury.....  | 0                    | 0                    | (499,095)   | 0             |
| Letters of Credit.....  | 0                    | (5,400,000)          | 0           | 0             |
| Pledged Securities.....                                       | <u>(2,060,963)</u>   | <u>0</u>             | <u>0</u>    | <u>0</u>      |
| Collateralized receipts (over) under<br>Amounts required..... | <u>\$(1,929,963)</u> | <u>\$(1,293,601)</u> | <u>\$ 0</u> | <u>1,400</u>  |

**8. NOTES PAYABLE**

**Long-term debt:**

On September 15, 2009 the Wagoner Public Works Authority signed a promissory note with the Oklahoma Water Resources Board in the sum of \$1,200,000. The purpose of this promissory note is to construct improvements to the water system of Wagoner Public Works Authority. Interest is to accrue at the rate of 2.55% per annum plus an administrative fee of 0.5% per annum. The loan is carried on the books of Wagoner Public Works Authority net of debt forgiveness credits applied through the American

**WAGONER PUBLIC WORKS AUTHORITY**

Recovery and Reinvestment Act. The net beginning balance of the loan was \$811,668. Payments are remitted semi annually every March and September 15th. The Authority has pledged and assigned the revenues and receipts derived from the operations of water, sanitary, sewer, solid waste management and electric systems as security.

On May 3, 2005, the Wagoner Public Works Authority signed a promissory note with the Oklahoma Water Resources Board in the sum of \$4,635,000. The purpose of this promissory note is the conversion from a note bearing a variable rate of interest to one bearing a fixed rate of interest. Interest is to accrue at the rate of 3.795% per annum. Prior to this note the interest rate was determined by OWRB every six months. This note is not to mature prior to October 1, 2030, with initial payments in the amount of \$26,289.96 beginning May 15, 2005. The Authority has pledged and assigned the revenues and receipts derived from the operations of water, sanitary sewer, solid waste management, and electric systems as security.

On October 10, 2011 the Wagoner Public Works Authority signed a promissory note with American Bank in the sum of \$58,000. The purpose of the note was to acquire an F550 Ford Aerial Lift Truck. The truck is pledged as collateral. The note is to be repaid in a single payment with interest on 10/11/12.

|                            | BALANCE            |                 |                  | BALANCE            |
|----------------------------|--------------------|-----------------|------------------|--------------------|
|                            | 6/30/2011          | PROCEEDS        | PAYMENTS         | 6/30/2011          |
| OWRB 2005 Water System     | \$4,010,000        | \$0             | \$130,000        | \$3,880,000        |
| OWRB 2009 Water System     | 811,668            | 0               | 30,821           | 780,847            |
| N/P 2011 Aerial Lift Truck | 0                  | 58,000          | 0                | 58,000             |
| Total                      | <u>\$4,821,668</u> | <u>\$58,000</u> | <u>\$160,821</u> | <u>\$4,718,847</u> |

Schedule of debt service payments due

|                       | Principal          | Interest           | Memo Only<br>Total |
|-----------------------|--------------------|--------------------|--------------------|
| June 30, 2013.....    | \$224,849          | \$207,236          | \$432,085          |
| June 30, 2014.....    | 172,841            | 200,189            | 373,030            |
| June 30, 2015.....    | 178,865            | 193,257            | 372,122            |
| June 30, 2016.....    | 184,864            | 185,997            | 370,861            |
| June 30, 2017.....    | 191,007            | 178,188            | 369,195            |
| 5 Yrs ending '22..... | 1,092,533          | 755,868            | 1,848,401          |
| 5 Yrs ending '27..... | 1,360,304          | 478,583            | 1,838,887          |
| 5 Yrs ending '32..... | 1,313,584          | 129,058            | 1,442,642          |
| Total                 | <u>\$4,718,847</u> | <u>\$2,328,376</u> | <u>\$7,047,223</u> |

**9. USE OF ESTIMATES**

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

**10. CONTINGENT LIABILITY**

As of June 30, 2012 The Wagoner Public Works Authority is guarantor on two loans for the Wagoner Hospital Authority. Both loans are made with First Bank & Trust Company in Wagoner, Oklahoma for

## WAGONER PUBLIC WORKS AUTHORITY

the amount of \$3,000,000 and \$500,000 respectively. The City of Wagoner maintains an agreement with The Wagoner Hospital Authority to pay the interest on the first note, in F.Y. 2012 the amount was \$9,983 and was paid from the Economic Development Fund. Wagoner Public Works collateralizes the note with its receipts and assets. As of 06/30/12 there does not appear to be a reasonable probability the Wagoner Hospital Authority will default and the Wagoner Public Works will become liable for the balance.

### **11. PENSION PLAN**

The underwriter and plan administrator for the Wagoner Public Works Authority's retirement plan is the New York Life Insurance Company. The plan is a defined contribution plan. Terms of the retirement plan are as follows:

The Wagoner Public Works Authority pays 8% of each full time employee's base salary into the fund. An employee must be employed by the Authority a minimum of three years to be eligible to draw partial retirement. An employee is eligible for full retirement at the end of seven years of service. For the year ending June 30, 2011, pension plan contributions paid by the Wagoner Public Works Authority totaled \$100,411, and plan contributions by employees total \$18,714.

### **12. SUBSEQUENT EVENTS**

Wagoner Public Works Authority has planned improvements and expansion of the existing water plant facilities over the next several years. The work is mandated in a report from the Department of Environmental Quality and will be performed by HUB Engineering as the primary contractor. The current cost estimate to complete the project is \$7,000,000 and will be financed through a loan from the Oklahoma Water Resources Board. On July 2, 2012 the City Council of the City of Wagoner Oklahoma issued and passed Resolution No. 612 to authorize the issuance, sale and delivery of a Series 2012 Promissory Note with the Oklahoma Water Resources Board in the amount of \$4,600,000. As of June 30, 2012 HUB Engineering has performed planning and gained tentative approval of the DEQ.

Subsequent Events have been evaluated through October 10, 2012, which is the date the financial statements were available to be issued. 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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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  
Wagoner Public Works Authority  
Wagoner, Oklahoma

We have audited the financial statements of the Wagoner Public Works Authority, a component unit of the City of Wagoner, Oklahoma, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 10, 2012. 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

Management of Wagoner Public Works Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Wagoner 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 on the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 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.

Our consideration of the 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 deficiencies, 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wagoner 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*.

We noted certain matters that we reported to management of Wagoner Public Works Authority in a separate letter dated October 10, 2012.

This report is intended solely for the information and use of management, the Wagoner Public Works Authority's Board of Trustees, others within the entity, and the Oklahoma State Auditor and Inspector and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Clothier & Company CPA's". The signature is written in black ink and is positioned in the middle-left area of the page.

Clothier & Company, CPA's, P.C.  
October 10, 2012