

**NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
REPORT ON AUDITS OF FINANCIAL STATEMENTS
For the year ended June 30, 2013 and 2014**

Audited By:
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INDEPENDENT

AUDITOR'S

REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Northeast Oklahoma Public Facilities Authority
Tahlequah, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Northeast Oklahoma Public Facilities Authority (an Oklahoma public trust), as of and for the year ended June 30, 2014 and the related notes to the financial statements, as listed in the table of contents.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Oklahoma Public Facilities Authority as of June 30, 2014, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 19-21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northeast Oklahoma Public Facilities Authority's basic financial statements. The introductory section, combining financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued a report dated October 27, 2014, on our consideration of Northeast Oklahoma Public Facilities Authority's, internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeast Oklahoma Public Facilities Authority's internal control over financial reporting and compliance



Robert St. Pierre, C.P.A., P.C.
October 27, 2014

**MANAGEMENT
DISCUSSION
& ANALYSIS**

Northeast Oklahoma Public Facilities Authority
Management's Discussion and Analysis
June 30, 2014

The following discussion and analysis of the financial performance of the Northeast Oklahoma Public Facilities Authority (NOPFA) provides an overview of NOPFA's financial activities for the fiscal years ended June 30, 2014. Please read it in conjunction with NOPFA's financial statements, which begin on page 7.

Financial Highlights

- ❖ During the year ended June 30, 2014, NOPFA's net assets were \$23,391,894, an increase of \$174,183 over the prior year's net assets balance of \$23,217,711.
- ❖ Revenues were \$13,139,586, an increase of \$2,822,524 over the prior year.
- ❖ Expenses totaled \$12,720,630, an increase of 2,811,496 from prior year of \$9,909,134.

Overview of the Financial Statements

NOPFA has elected to present the financial statements in accordance with the business-type activities format. Accordingly, the financial section of this report includes management's discussion and analysis (as required supplementary information); the statement of net assets, the statement of revenues, expenses, and changes in net assets, the statement of cash flows, and explanatory notes to the financial statements, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

The Basic Financial Statements

One of the most important questions asked about NOPFA is whether it is better off or worse off as a result of the year's financial activities. The statement of net assets and the statement of revenues, expenses, and changes in net assets report information about NOPFA as a whole and about its activities in a way that answers this question.

The statement of net assets and the statement of revenues, expenses, and changes in net assets report NOPFA's net assets and changes to them. You can think of NOPFA's net assets-the difference between assets and liabilities-as one way to measure NOPFA's financial health or financial position.

Over time, increases or decreases in NOPFA's net assets are one indicator of whether its financial health is improving or deteriorating.

Financial Analysis of Northeast Oklahoma Public Facilities Authority as a Whole

NOPFA's net assets increased from a year ago. The amounts are from the statement of net assets, page 7, which is presented on an accrual basis of accounting.

NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2013 and 2014

ASSETS	2014	2013	Increase (Decrease)
Current Assets	13,473,831	12,520,123	953,708
Noncurrent Assets	11,237,990	11,586,245	(348,255)
TOTAL CURRENT ASSETS	<u>24,711,821</u>	<u>24,106,368</u>	<u>605,453</u>
LIABILITIES			
Current Liabilities	1,192,979	135,171	1,057,808
Noncurrent Liabilities	126,948	753,484	(626,536)
TOTAL LIABILITIES	<u>1,319,927</u>	<u>888,655</u>	<u>431,272</u>
NET ASSETS			
Invested in capital assets, net of related debt	11,237,990	11,627,531	(389,541)
Restricted	-	-	-
Unrestricted	12,153,904	11,590,180	563,724
TOTAL NET ASSETS	<u>23,391,894</u>	<u>23,217,711</u>	<u>174,183</u>

Net Assets Increased by \$174,183 mainly due to a decrease in operating transfers out to local municipalities.

NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
OPERATING RESULTS
YEARS ENDED JUNE 30, 2013 AND 2014

	2014	2013	Increase (Decrease)
Operating Revenues	13,139,586	10,317,062	2,822,524
Operating Expenses	12,720,630	9,909,134	2,811,496
Operating Income (Loss)	418,956	407,928	11,028
Nonoperating Revenues (Expenses)	(18,773)	(248,104)	229,331
Net Increase (Decrease) in net assets	400,183	159,824	240,359
Net assets, beginning	22,818,130	23,058,306	(240,176)
Distributions	(226,000)	(400,000)	174,000
Net assets, ending	<u>22,992,313</u>	<u>22,818,130</u>	<u>174,183</u>

During the year ended June 30, 2014, overall revenues increased by \$ 2,822,524 due to increase in gas sales to residential customers as well as sales at the new CNG stations. Expenses increased by \$2,811,496 over the prior year. This was mainly a result of an increase in the purchase of gas in direct relation to the sales of gas as well as some line extensions.

**NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
ANALYSIS OF NET ASSETS
YEARS ENDED JUNE 30, 2013 AND 2014**

	2014	2013	Increase (Decrease)
Invested in capital assets, net of related debt	11,135,525	11,586,245	(450,720)
Restricted	-	-	-
Unrestricted	12,256,369	11,631,466	624,903
TOTAL NET ASSETS	23,391,894	23,217,711	174,183

Capital Assets and Debt Administration

During 2014, the System's investment in capital assets decreased by a net value of \$348,255 this was mainly due to an increase in depreciation expense and the organization changed its capitalization policy and removed assets that would have been expensed had the policy been in place in prior years.

**NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
CAPITAL ASSETS, NET
YEARS ENDED JUNE 30, 2013 AND 2014**

	2014	2013	Increase (Decrease)
Capital Assets	19,881,895	19,848,735	33,160
Less: Accumulated Depreciation	(8,643,905)	(8,262,490)	(381,415)
Capital Assets, Net	11,237,990	11,586,245	(348,255)

During 2014, the Northeast Oklahoma Public Facilities Authority completed two significant extensions to the existing gas lines, namely the Cherokee Springs and Littlejohn extensions.

Northeast Oklahoma Public Facilities Authority had no debt during the year ended June 30, 2013 and 2014.

**NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2014**

CASH PROVIDED (USED) BY:	2014	2013	Increase (Decrease)
Operating Activities	1,423,487	933,029	490,458
Noncapital Financing Activities	(226,000)	(772,020)	546,020
Capital and Related Financing Activities	(263,990)	(466,039)	202,049
Investing Activities	32,365	37,342	(4,977)
Net Increase (Decrease) in Cash and Cash Equivalents	965,862	(267,688)	1,233,550
Cash and Cash Equivalents, Beginning	8,869,215	9,136,903	(267,688)
Cash and Cash Equivalents, Ending	9,835,077	8,869,215	965,862

NOPFA's overall cash and cash equivalents increased by \$ 965,862 due to net income of \$400,182 and non-cash expenses such as depreciation. Depreciation expense makes up \$549,273 of the non-cash expenditures that adds to cash and cash equivalents.

Economic Factors and NOPFA's Future

NOPFA's board considers many factors when setting the budget. Among these factors are the following:

- Cash Flow to cover operating expenses.
- Age and operating condition of capital assets.
- Reserves required for future capital expansion, upgrades, and replacements.

Contacting NOPFA's Financial Management

This financial report is designed to provide users, including customers and creditors with a general overview of NOPFA's finances and to show its accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the General Manager of the Northeast Oklahoma Public Facilities Authority, 103 North College Avenue, Tahlequah, Oklahoma 74464 or telephone us at (918) 456-6268.

FINANCIAL

SECTION

NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2013 and 2014

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash & Cash Equivalents	9,343,626	8,461,653
Restricted Cash	491,453	792,063
Investments	3,006,444	2,615,740
Receivables		
Accounts (Net of Allowance) Note C	327,923	307,589
Due from Other Funds	4,503	4,883
Inventories	265,897	299,548
Pre-Paid Expenses	33,985	38,647
TOTAL CURRENT ASSETS	<u>13,473,831</u>	<u>12,520,123</u>
NON-CURRENT ASSETS		
Capital Assets:		
Capital Assets, Net of Accum Depreciation	11,237,990	11,586,245
TOTAL NON-CURRENT ASSETS	<u>11,237,990</u>	<u>11,586,245</u>
TOTAL ASSETS	<u>24,711,821</u>	<u>24,106,368</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	378,014	22,585
Payable from Restricted Assets - Customer Deposits	810,462	753,484
Due to Other Funds	4,503	4,455
TOTAL CURRENT LIABILITIES	<u>1,192,979</u>	<u>780,524</u>
NON-CURRENT LIABILITIES:		
Compensated Absences	<u>126,948</u>	<u>108,132</u>
TOTAL NON-CURRENT LIABILITIES	<u>126,948</u>	<u>108,132</u>
TOTAL LIABILITIES	<u>1,319,927</u>	<u>888,656</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	11,237,990	11,586,245
Restricted:		
Other	-	-
Unrestricted	<u>12,153,904</u>	<u>11,631,466</u>
TOTAL NET ASSETS	<u>23,391,894</u>	<u>23,217,711</u>

**NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013 AND 2014**

	2014	2013
OPERATING REVENUE		
Charges for Services	\$ 12,383,514	\$ 9,868,840
Gas Sales CNG Stations	270,769	-
Installations	111,702	56,103
Connection and Transfer Fees	2,124	35,142
Administrative Services	<u>371,477</u>	<u>356,977</u>
TOTAL OPERATING REVENUE	<u>13,139,586</u>	<u>10,317,062</u>
OPERATING EXPENSES		
Cost of Sales - Gas Purchases	8,448,898	5,917,673
CNG Expense	150,318	117,311
Salaries and Wages	1,453,986	1,380,588
Payroll Taxes and Benefits	473,049	430,231
Contracted Services	247,867	310,068
Maintenance and Repairs	291,026	251,205
Insurance	102,342	95,295
Office Supplies and Expenses	161,882	136,717
Travel	15,014	11,607
Truck Expenses	82,187	81,001
Dues and Pipeline Assessments	53,528	26,893
Telephone and Utilities	67,827	118,803
Miscellaneous	29,967	51,056
Administrative Expenses	371,477	356,977
Supplies	209,766	55,101
Depreciation	549,273	565,408
Equipment	<u>12,223</u>	<u>3,200</u>
TOTAL OPERATING EXPENSES	<u>12,720,630</u>	<u>9,909,134</u>
NET OPERATING INCOME (LOSS)	418,956	407,928
NON-OPERATING REVENUES (EXPENSES)		
Loss on Asset Write Off	(62,973)	-
Miscellaneous	8,117	90,083
Interest Income	<u>36,082</u>	<u>44,827</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(18,774)</u>	<u>134,910</u>
OPERATING TRANSFERS		
Transfers In	-	-
Transfers Out	<u>-</u>	<u>(383,014)</u>
TOTAL OPERATING TRANSFERS	-	(383,014)
NET INCOME (LOSS)	400,182	159,824
NET ASSETS BEGINNING	23,217,712	23,457,887
Distributions to Beneficiaries	<u>(226,000)</u>	<u>(400,000)</u>
NET ASSETS, ENDING	<u>\$ 23,391,894</u>	<u>\$ 23,217,711</u>

NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS
For the Years Ended June 30, 2013 and 2014

	2014	2013
<u>Cash Flows From Operating Activities</u>		
Receipts From Customers	13,125,260	10,227,271
Other Cash Receipts	56,978	
Payments to Suppliers	(9,885,307)	(7,914,793)
Payments to Employees	(1,873,444)	(1,380,588)
	<u>1,423,487</u>	<u>931,890</u>
Net Cash Provided (Used) by Operating Activities		
<u>Cash Flows From Noncapital Financing Activities</u>		
Distributions to Beneficiaries	(226,000)	(400,000)
(Increase) Decrease in Restricted Assets	-	(100,595)
Miscellaneous Nonoperating Revenue	-	111,589
Net Operating Transfers	-	(383,014)
	<u>(226,000)</u>	<u>(772,020)</u>
Net Cash Provided (Used) by Noncapital Financing Activities		
<u>Cash Flows From Capital and Related Financing</u>		
Proceeds from Capital Gains	-	-
Acquisition/Construction of Capital Assets	(263,990)	(464,900)
	<u>(263,990)</u>	<u>(464,900)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities		
<u>Cash Flows From Investing Activities</u>		
(Increase) Decrease in Investments	(6,202)	(7,485)
Interest Income	38,569	44,827
	<u>32,367</u>	<u>37,342</u>
Net Cash Provided (Used) by Investing Activities		
Net Increase (Decrease) in Cash & Cash Equivalents	965,864	(267,688)
Cash and Cash Equivalents Beginning of Year	<u>8,869,215</u>	<u>9,136,903</u>
Cash and Cash Equivalents End of Year	<u>9,835,079</u>	<u>8,869,215</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Net Operating Income (Loss)	<u>400,180</u>	<u>416,460</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	549,273	565,408
Changes in Assets and Liabilities		
(Increase) Decrease in Receivables	(19,956)	(98,440)
(Increase) Decrease in Inventories	33,648	(45,928)
(Increase) Decrease in Pre-Paid Expenses	4,662	(10,621)
Increase (Decrease) in Accounts Payable	152,206	8,742
Increase (Decrease) in Accrued Expenses	246,494	7,056
Increase (Decrease) in Customer Deposits	56,980	89,213
	<u>1,023,307</u>	<u>515,430</u>
Total Adjustments		
Net Cash Provided (Used) by Operating Activities	<u>1,423,487</u>	<u>931,890</u>

FINANCIAL

STATEMENT

NOTES

**NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE A: ORGANIZATION

The Northeast Oklahoma Public Facilities Authority (NOPFA) was created as a public trust in the State of Oklahoma on April 22, 1958, to establish and operate public utility facilities for the public health and welfare on Northeast Oklahoma. On March 25, 1960 NOPFA entered into a franchise agreement with the City of Tahlequah, Oklahoma to establish and operate a natural gas utility system. On November 10, 1972, the NOPFA entered into franchise agreements with the Cities of Stilwell and Westville for the establishment and operation of a natural gas utility system in their areas.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

The accompanying financial statements present the consolidated operation of the Northeast Oklahoma Public Facilities Authority, to include the Tahlequah Gas system, the Stilwell/Westville Gas System, and the Administrative Account.

Both the Tahlequah Gas System and the Stilwell/Westville Gas System have as their purpose to develop, construct, plan, establish, install, enlarge, improve, maintain, equip, operate, control, and regulate gas utility facilities within and without the corporate boundaries of the Cities of Tahlequah, Stilwell, and Westville. NOPFA is reported as a single purpose government, in accordance with GASB Statement No. 34 using a business-type activities presentation. As such, fund financial statements are not required.

2. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of NOPFA are charges to customers for sales and services by the two gas systems. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses are not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is NOPFA's policy to use restricted resources first, the unrestricted resources as they are needed.

NOTE C: ASSETS, LIABILITIES, AND OTHER NET ASSETS OR EQUITY

1. DEPOSITS AND INVESTMENTS

NOPFA's cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts, money market accounts, and certificates of deposit or short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize NOPFA to invest in obligations of the U.S. Treasury; time deposits with financial institutions, if such deposits are fully insured by federal depository insurance or pledged collateral; and debt securities issued by the State of Oklahoma, an Oklahoma County, school district, or municipality.

Investments are reported at fair value.

2. RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade receivables are shown net of an allowance for uncollectable. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectable.

3. INVENTORY AND PRE-PAID ITEMS

Inventories consist of parts and supplies used in construction and maintenance of the systems. Inventories are recorded at cost and charged to expense when used.

4. CAPITAL ASSETS

Capital assets include the gas systems, buildings, equipment, and vehicles. Capital assets are defined by NOPFA as assets with an initial, individual cost more than \$2,500 with an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by NOPFA during the current fiscal year was \$0. Of this amount, \$0 was included as part of the cost of capital assets under construction.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	10-30
Gas System Improvements	50
Equipment	5-10
Vehicles	5

5. COMPENSATED ABSENCES

Permanent employees earn vacation and sick leave based on years of services at varying rates. Sick leave may be carried forward up to 240 hours. Vacation can be carried forward up to 360 hours. Both are payable upon retirement or termination.

6. LONG TERM OBLIGATIONS

In the accompanying financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

7. NET ASSETS

Net assets are displayed in three components:

- a. Invested in capital assets, net of related debt—consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any debt or other borrowing that are attributable to the acquisition, construction, or improvement of these assets.
- b. Restricted net assets—consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—all other net assets that do not meet the definitions of “invested in capital assets, net assets of related debt” or “restricted”.

8. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE C: DETAILED NOTES ON ALL FUNDS

1. DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. NOPFA does not have a deposit policy for custodial credit risk. As of June 30, 2014 none of NOPFA's bank balance of \$12,841,523 was exposed to custodial credit risk.

Investments

As of June 30, 2014 NOPFA had the following investments.

INVESTMENT	MATURITIES	FAIR VALUE	
		2014	2013
Certificates of Deposit	Six (6) months	2,621,944	2,615,740
Certificates of Deposit	One (1) year	384,500	384,500
TOTAL		3,006,444	3,000,240

Interest Rate Risk - NOPFA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair market value losses arising from increasing interest rates.

Credit Risk – State statutes limit investments to the following: a) direct obligations of the U.S. Government, its agencies or instrumentalities; b) collateralized or insured certificates of deposit within the state, and insured certificates only if out of state; c) savings accounts or savings certificates; d) fully collateralized prime banker acceptances, prime commercial paper, repurchase agreements, or SEC regulated money market funds; e) obligations to the payment of which the full faith and credit of the state is pledged; f) county, municipal, or school district and valorem tax funded debt; g) bonds, notes, or money judgments of a county, municipality, or school district; h) revenue anticipation notes of a public trust of which the municipality is beneficiary; or i) any bond, note, or other debt of any public trust of which municipality is sole beneficiary, or other entities whose governing boards were appointed by municipality. NOPFA has no investment policy that would further limit its

investment choices. As of June 30, 2013 and 2014, NOPFA's investments in certificates of deposit were all fully insured or collateralized.

Concentration of Credit Risk – NOPFA places no limit on the amount it may invest in any one issuer. More than 5 percent of NOPFA's investments are in certificates of deposits. These investments are 100% of NOPFA's total investments.

Restricted Cash and Investments – Cash and investments that are restricted as to use include customer meter deposits in the amount of \$ 491,453 for cash and \$384,500 for investments.

2. RECEIVABLES

As of June 30, 2013 and 2014, for the Northeast Oklahoma Public Facilities Authority, including the applicable allowance for uncollectable accounts, are as follows

Receivables:	<u>2014</u>	<u>2013</u>
Accounts	357,106	339,706
Due from Other Governments	-	-
Gross Receivables	357,106	339,706
Less: Allowance for Uncollectable	<u>(29,183)</u>	<u>(32,117)</u>
Net Total Receivables	<u><u>327,923</u></u>	<u><u>307,589</u></u>

	<u>Current</u>	<u>30 Days</u>	<u>60 Days</u>	<u>90 Days</u>	<u>Allowance</u>	<u>Net Receivables</u>
Tahlequah System	174,448	13,394	6,089	9,235	(9,236)	193,930
Stilwell/Westville System	114,281	19,195	14,826	5,638	(19,947)	133,993
	<u>288,729</u>	<u>32,589</u>	<u>20,915</u>	<u>14,873</u>	<u>(29,183)</u>	<u>327,923</u>

3. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2013 and 2014, were as follows:

<u>2014</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, not being Depreciated:				
Land	10,000	-	-	10,000
Construction in Progress	-	22,823	-	22,823
TOTAL Capital Assets, not being Depreciated	<u>10,000</u>	<u>22,823</u>	<u>-</u>	<u>32,823</u>
Capital Assets, being Depreciated				
Buildings	2,419,208	-	-	2,419,208
CNG Station	1,461,751	-	-	1,461,751
Gas Distribution System	14,044,347	241,167	-	14,285,514
Machinery and Equipment	913,332	-	230,830	682,502
Office Equipment	269,435	-	-	269,435
Vehicles	730,662	-	-	730,662
TOTAL Capital Assets, being Depreciated	<u>19,838,735</u>	<u>241,167</u>	<u>230,830</u>	<u>19,849,072</u>
Less Accumulated Depreciation for:	8,262,490	549,273	167,858	8,643,905
TOTAL Accumulated Depreciation	<u>8,262,490</u>	<u>549,273</u>	<u>167,858</u>	<u>8,643,905</u>
TOTAL Capital Assets, Being Depreciated, Net	<u>11,576,245</u>	<u>(308,106)</u>	<u>(62,972)</u>	<u>11,205,167</u>
Capital Assets, net	<u>11,586,245</u>	<u>(285,283)</u>	<u>(62,972)</u>	<u>11,237,990</u>

<u>2013</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, not being Depreciated:				
Land	10,000	-	-	10,000
Construction in Progress	1,145,277	-	(1,145,277)	-
TOTAL Capital Assets, not being Depreciated	<u>1,155,277</u>	<u>-</u>	<u>(1,145,277)</u>	<u>10,000</u>
Capital Assets, being Depreciated				
Buildings	1,070,624	1,348,584	-	2,419,208
CNG Station	1,461,751	-	-	1,461,751
Gas Distribution System	13,962,371	81,976	-	14,044,347
Machinery and Equipment	794,708	118,624	-	913,332
Office Equipment	259,694	9,741	-	269,435
Vehicles	776,547	-	(45,885)	730,662
TOTAL Capital Assets, being Depreciated	<u>18,325,695</u>	<u>1,558,925</u>	<u>(45,885)</u>	<u>19,838,735</u>
Less Accumulated Depreciation for:				
Accumulated Depreciation	(7,743,332)	(565,408)	46,250	(8,262,490)
TOTAL Accumulated Depreciation	<u>(7,743,332)</u>	<u>(565,408)</u>	<u>46,250</u>	<u>(8,262,490)</u>
TOTAL Capital Assets, Being Depreciated, Net	<u>10,582,363</u>	<u>993,517</u>	<u>365</u>	<u>11,576,245</u>
Capital Assets, net	<u>11,737,640</u>	<u>993,517</u>	<u>(1,144,912)</u>	<u>11,586,245</u>

Depreciation expense was \$565,408 for 2013 and 549,273 for 2014.

4. DEPOSITS SUBJECT TO REFUND

Utility customers are required to make a meter deposit which is refunded upon the customer's termination of services provided there are no outstanding bills. Monies are deposited in separate restricted accounts, and a liability has been recorded to represent the amount of deposits due to customers. As of June 30, 2013 and 2014, restricted cash and investments included \$ 792,063 and \$ 875,953, respectively, available for refund of customer deposits, and the liability to customers was \$ 753,484 and \$810,461.

5. COMPENSATED ABSENCES

Full time employees with at least one year of services earn vacation of five to twenty days per year depending on years of service completed. In accordance with the guidelines set forth by GASB Statement No. 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, a provision has been made for accumulated vacation, compensatory time, and holiday pay. Accrued compensated absences as of June 30, 2013 and 2014 were \$108,132 and \$126,949, respectively.

Full time employees are granted sick leave at the rate of ten days per year, up to a total of thirty (30) days. Permanent employees are compensated for unused sick leave upon termination of employment.

NOTE D: OTHER INFORMATION

1. RISK MANAGEMENT

NOPFA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. NOPFA has insurance for the major risks such as property, general liability, workers' compensation, and unemployment. Commercial insurance is used to cover general liability claims and the risk of loss to the Authority's buildings and mobile equipment.

2. COMMITMENTS AND CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

Gas purchase contract – NOPFA has a gas purchase contract with Clearwater Enterprises, LLC for monthly fixed price volumes through March 2017 . The total remaining commitment as of June 30, 2014 was \$17,922,502.

3. EMPLOYEE RETIREMENT SYSTEM AND PENSION PLANS

On January 1, 1973, the Authority established a Target Benefit Pension Plan (a defined contributions plan) for the accumulation of the employer's contribution of retirement benefits. On January 1, 2011, the plan was amended and converted to a non-standardized Money Purchase Plan. Under this plan, the Authority contributes 5% of eligible employee's gross wages. Employees become eligible to receive contributions made on their behalf upon completion of six months of full time employment. Vesting occurs upon the employee attaining normal retirement age (the later of the date the participant reaches age 65 or the 5th anniversary of the first day the Plan Year in which the participant began participation in the Plan), or early retirement age (the later of the date the participant reaches age 55 or the date a participant reaches his or her 10th anniversary of the first day of the Plan year in which the participant began participation in the Plan). Contributions in the amount of \$58,044 and \$66,542 were made by NOPFA on behalf of the employees during the years ended June 30, 2013 and 2014, on covered payroll of \$1,380,588 and \$1,453,986, respectively.

In addition to the Defined Contribution Plan described above, the Authority has also established a Section 457 Retirement Plan for accumulation for all full time employee contributions to their retirement plan. Under this Plan, the employee's actual retirement benefit amount will depend on the amount of their account balances at the time of retirement. The account balances will reflect the employee's deferred contributions over the period of time the employee participates in the Plan and their success in investing and re-investing the assets of their accounts. Under the 457 Plan the Authority will match employee contributions up to 5% of their salary.

During fiscal years ended June 30, 2013 and 2014, contributions in the amount of \$89,738 and \$89,978 were made by the employees, while \$55,648 and \$64,664 were contributed by NOPFA, respectively, on covered payroll of \$1,380,588 and \$1,453,986.

4. EVALUATION OF SUBSEQUENT EVENTS

The Company has evaluated subsequent events through October 27, 2014 the date which the financial statements were available to be issued.

SUPPLEMENTARY

INFORMATION

NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
 COMBINING STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2014

ASSETS	<u>Tahlequah Gas System</u>	<u>Stilwell-Westville Gas System</u>	<u>Administrative</u>	<u>Total</u>
CURRENT ASSETS				
Cash & Cash Equivalents	6,339,681	2,886,980	116,965	9,343,626
Restricted Cash and Investments	342,886	148,557	-	491,453
Investments	1,641,329	1,365,115	-	3,006,444
Receivables				
Accounts (Net of Allowance of Uncollectables)	193,932	133,992	-	327,924
Due from Other Funds	4,503		-	4,503
Inventories	211,407	54,490	-	265,897
Pre-Paid Expenses	18,688	12,714	2,583	33,985
				-
TOTAL CURRENT ASSETS	<u>8,752,426</u>	<u>4,601,858</u>	<u>119,548</u>	<u>13,473,832</u>
NON-CURRENT ASSETS				
Capital Assets:				
Capital Assets, Net of Accum Depreciation	7,294,544	3,942,162	1,284	11,237,990
TOTAL NON-CURRENT ASSETS	<u>7,294,544</u>	<u>3,942,162</u>	<u>1,284</u>	<u>11,237,990</u>
TOTAL ASSETS	<u>16,046,970</u>	<u>8,544,020</u>	<u>120,832</u>	<u>24,711,822</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	198,290	147,093	32,630	378,013
Payable from Restricted Assets - Customer Deposits	610,462	200,000	-	810,462
Due to Other Funds	-	48	4,455	4,503
TOTAL CURRENT LIABILITIES	<u>808,752</u>	<u>347,141</u>	<u>37,085</u>	<u>1,192,978</u>
NON-CURRENT LIABILITIES:				
Compensated Absences	53,598	44,656	28,695	126,949
TOTAL NON-CURRENT LIABILITIES	<u>53,598</u>	<u>44,656</u>	<u>28,695</u>	<u>126,949</u>
TOTAL LIABILITIES	<u>862,350</u>	<u>391,797</u>	<u>65,780</u>	<u>1,319,927</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	7,294,544	3,942,162	1,284	11,237,990
Restricted:				
Other				
Unrestricted	7,890,075	4,210,061	53,768	12,153,904
TOTAL NET ASSETS	<u>15,184,619</u>	<u>8,152,223</u>	<u>55,052</u>	<u>23,391,894</u>

NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
AS OF JUNE 30, 2014

	Tahlequah Gas System	Stilwell- Westville Gas System	Administrative	Total
OPERATING REVENUES				
Charges for Services	8,439,354	3,944,160	-	12,383,514
Gas Sales	225,924	44,845	-	270,769
Installations	108,964	2,738	-	111,702
Collector and Transfer Fees	2,124	-	-	2,124
Administrative Services	-	-	371,477	371,477
TOTAL OPERATING REVENUE	8,776,366	3,991,743	371,477	13,139,586
OPERATING EXPENSES				
Costs of Sales - Gas Purchases	5,721,745	2,727,153	-	8,448,898
CNG Expense	114,831	35,487	-	150,318
Salaries & Wages	770,430	426,341	257,215	1,453,986
Payroll Taxes & Benefits	268,815	134,146	70,088	473,049
Contracted Services	226,368	12,385	9,114	247,867
Maintenance & Repairs	197,213	92,487	1,326	291,026
Insurance	64,255	36,255	1,832	102,342
Office Supplies & Expenses	108,257	44,136	9,489	161,882
Travel	4,473	8,032	2,509	15,014
Truck Expenses	56,346	24,373	1,468	82,187
Dues & Pipeline Assessments	35,824	16,348	1,356	53,528
Telephone & Utilities	35,041	28,068	4,718	67,827
Miscellaneous	8,024	19,633	2,310	29,967
Administrative Expenses	226,599	144,875	-	371,474
Supplies	169,916	39,850	-	209,766
Depreciation	358,381	183,925	6,967	549,273
Equipment	4,870	5,024	2,332	12,226
TOTAL OPERATING EXPENSES	8,371,388	3,978,518	370,724	12,720,630
NET OPERATING INCOME (LOSS)	404,978	13,225	753	418,956
NONOPERATING REVENUES (EXPENSES)				
Loss of Asset Write Off	(37,531)	(20,657)	(4,785)	(62,973)
Miscellaneous	5,629	2,488	2	8,119
Interest Income	27,091	8,989	-	36,080
TOTAL NONOPERATING REVENUES (EXPENSES)	(4,811)	(9,180)	(4,783)	(18,774)
OPERATING TRANSFERS				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
TOTAL OPERATING TRANSFERS	-	-	-	-
NET INCOME (LOSS)	400,167	4,045	(4,030)	400,182
Net Assets, Beginning	14,864,452	8,294,178	59,082	23,217,712
Distributions to Beneficiaries	(80,000)	(146,000)	-	(226,000)
NET ASSETS, ENDING	15,184,619	8,152,223	55,052	23,391,894

NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014

	<u>Tahlequah Gas System</u>	<u>Stilwell- Westville Gas System</u>	<u>Administrative</u>	<u>Total</u>
<u>Cash Flows From Operating Activities</u>				
Receipts From Customers	8,780,815	3,972,968	371,477	13,125,260
Other Cash Receipts	26,501	30,477	-	56,978
Payments to Suppliers	(6,793,938)	(3,084,964)	(6,405)	(9,885,307)
Payments to Employees	(1,011,380)	(539,496)	(322,568)	(1,873,444)
Net Cash Provided (Used) by Operating Activities	<u>1,001,998</u>	<u>378,985</u>	<u>42,504</u>	<u>1,423,487</u>
<u>Cash Flows From Noncapital Financing Activities</u>				
Distributions to Beneficiaries	(80,000)	(146,000)	-	(226,000)
Net Operating Transfers	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(80,000)</u>	<u>(146,000)</u>	<u>-</u>	<u>(226,000)</u>
<u>Cash Flows From Capital and Related Financing</u>				
Acquisition/Construction of Capital Assets	(195,698)	(68,292)	-	(263,990)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(195,698)</u>	<u>(68,292)</u>	<u>-</u>	<u>(263,990)</u>
<u>Cash Flows From Investing Activities</u>				
(Increase) Decrease in Investments	(3,173)	(3,031)	-	(6,204)
Interest Income	27,091	11,478	2	38,571
Net Cash Provided (Used) by Investing Activities	<u>23,918</u>	<u>8,447</u>	<u>2</u>	<u>32,367</u>
Net Increase (Decrease) in Cash & Cash Equivalents	750,218	173,140	42,506	965,864
Cash and Cash Equivalents Beginning of Year	<u>5,932,348</u>	<u>2,862,406</u>	<u>74,461</u>	<u>8,869,215</u>
Cash and Cash Equivalents End of Year	<u>6,682,566</u>	<u>3,035,546</u>	<u>116,967</u>	<u>9,835,079</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>				
Net Operating Income (Loss)	400,167	4,045	(4,032)	400,180
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	358,381	183,925	6,967	549,273
Changes in Assets and Liabilities				
(Increase) Decrease in Receivables	(1,181)	(18,775)	-	(19,956)
(Increase) Decrease in Inventories	13,746	19,902	-	33,648
(Increase) Decrease in Pre-Paid Expenses	6,328	917	(2,584)	4,661
Increase (Decrease) in Accounts Payable		128,323	23,883	152,206
Increase (Decrease) in Accrued Expenses	198,055	30,170	18,269	246,494
Increase (Decrease) in Customer Deposits	26,502	30,478	-	56,980
Total Adjustments	<u>601,831</u>	<u>374,940</u>	<u>46,535</u>	<u>1,023,306</u>
Net Cash Provided (Used) by Operating Activities	<u>1,001,998</u>	<u>378,985</u>	<u>42,503</u>	<u>1,423,486</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Northeast Oklahoma Public Facilities Authority
Tahlequah, OK

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northeast Oklahoma Public Facilities Authority, (an Oklahoma public trust) which comprise the statement of Net Assets as of June 30, 2014, and the related statement of Revenues, Expenses, and Changes in Net Assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northeast Oklahoma Public Facilities Authority, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northeast Oklahoma Public Facilities Authority, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Northeast Oklahoma Public Facilities Authority, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2014-1.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. 2014-2, 2014-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Oklahoma Public Facilities Authority, financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Northeast Oklahoma Public Facilities Authority, in a separate letter dated October 27, 2014.

Northeast Oklahoma Public Facilities Authority, Inc.'s Response to Findings

Northeast Oklahoma Public Facilities Authority response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Northeast Oklahoma Public Facilities Authority response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Robert St. Pierre C.P.A., P.C.
Certified Public Accountant
October 27, 2014

NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Financial Statement Findings

2013-1 Capital Asset Reporting and Reconciliation

Condition – Fixed assets are not being depreciated and posted to the fixed asset accounts until the end of the year.

Status – This condition still exists.

2013-2 Reconciliation of Accounts Receivable

Condition – Accounts receivable balances per the general ledger were not reconciled with the detailed summary subsidiary records from the utility billing system.

Status – This condition still exists.

Federal Award Findings and Questioned Costs

There were no matters reported in the prior year's audit report.

Section II – Financial Statement Findings

2014-1 Capital Asset Reporting and Reconciliation

Criteria – Proper classification in the general ledger accounting records of capital assets allows for proper reporting of assets in the entity's financial statements. Reconciliation of capital asset balances in the general ledger accounting records with detailed subsidiary records helps ensure that balances reported are accurate and depreciation on the capital assets is properly calculated.

Condition – Capital assets acquired and constructed were not all properly recorded as assets and the balances per the general ledger were not reconciled with the detailed capital assets records.

Cause and Effect – Expenditures for capital assets are originally recorded as expenses in the general ledger accounting records then reclassified as assets at year end. Not all the assets purchased and/or constructed were capitalized while some assets were reclassified at the wrong amount. Additionally, not all assets were recorded in the detail capital asset records.

The general ledger balances were not reconciled with the detail subsidiary records. Material adjustments were necessary to properly record the assets added during the year and to the depreciation expense recorded. Several assets were also added to the detail assets records as a result of the audit.

Recommendation – All assets acquired during the year should be properly added to the capital asset detail at the time of purchase and also reclassified or capitalized in the general ledger accounts properly reflect the capital asset detail and balances. The general ledger balances should be reconciled with the asset depreciation detail after all entries and adjustments have been made.

Managements Response – Management will continue to consult with a local CPA to help staff establish policies and procedures in regards to fixed asset posting and depreciation postings.

2014-2 Reconciliation of Accounts Receivable

Criteria – Reconciliation of balance sheet accounts in the general ledger with subsidiary records helps ensure that balances are accurately reflected in the general ledger for financial reporting purposes.

Condition – Accounts receivable balances per the general ledger were not properly reconciled with the detailed subsidiary records from the utility billing systems.

Recommendation – Management should take steps to establish policies and procedures to ensure that all revenue is properly posted and reflected on the financial statements.

Managements Response – Management will continue to consult with a local CPA to help staff establish policies and procedures in regards to fixed asset posting and depreciation postings.

2014-3 Reconciliation of Customer Meter Deposits

Criteria – Reconciliation of balance sheet accounts in the general ledger with subsidiary records helps ensure that balances are accurately reflected in the general ledger for financial reporting purposes. It also helps to ensure that all meter deposits refunds are correctly posted.

Condition – Customer Meter Deposits Accounts balances per the general ledger were not properly reconciled with the detailed subsidiary records from the utility billing systems.

Recommendation – Management should take steps to establish policies and procedures to ensure that all deposits are properly posted and reflected on the financial statements.

Managements Response – Management will continue to consult with a local CPA to help staff establish policies and procedures in regards to fixed asset posting and depreciation postings.