

Northeast Oklahoma Public Facilities Authority

Financial Statements
with Independent Auditors' Report

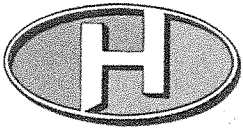
June 30, 2016



Northeast Oklahoma Public Facilities Authority
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Independent Auditors' Report on Financial Statements

Board of Trustees
Northeast Oklahoma Public Facilities Authority
Tahlequah, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Northeast Oklahoma Public Facilities Authority (the Authority) as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively, comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the respective financial position of the Northeast Oklahoma Public Facilities Authority as of June 30, 2016 and the respective changes in financial position and applicable, its cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* that was issued in February 2015, and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* that was issued in June 2015. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through v 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 supplemental 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 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 performed for the purpose of forming an opinion on the financial statements of the Northeast Oklahoma Public Facilities Authority, taken as a whole. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.



The supplemental schedules, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules, as listed in the table of contents, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016 on our consideration of the Authority's internal control over financial reporting and 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 result of that testing and not to provide an opinion on the internal control over financial reporting or 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.

H. J. J. & Company, P.C.

Tulsa, Oklahoma
October 10, 2016



NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

The discussion and analysis of Northeast Oklahoma Gas Authority's ("NOPFA") financial performance provides an overview and analysis of the Authority's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of the following parts: Management's Discussion and Analysis, Basic Financial Statements and Supplemental Information. The financial statements include notes which explain in detail some of the information included in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the Authority report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Position includes information on the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). The Statement of Revenues, Expenses and Changes in Net Position identifies the Authority's revenues and expenses for the fiscal year ended June 30, 2016. This statement provides information on the Authority's operations over the past fiscal year and can be used to determine whether the Authority has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the Authority's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. The net result of these activities added to the beginning of the year cash balance equal to the cash equivalent balance at the end of the current fiscal year.

CONDENSED FINANCIAL INFORMATION

Condensed financial information from the Statement of Net Position as of June 30, 2016 and 2015, as well as the Statement of Revenues, Expenses and Changes in Net Position for the years then ended are as follows:

NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position

Table 1
Net Position
June 30, 2015

	2016	* 2015	% Inc. (Dec.)
Current assets	\$ 12,915,801	\$ 13,436,216	-4%
Noncurrent assets			
Capital assets, net of depreciation	11,192,018	11,262,839	-1%
Other assets	478,511	-	100%
Total assets	24,586,330	24,699,055	0%
Current liabilities	196,917	916,773	-79%
Noncurrent liabilities	868,268	150,355	477%
Total liabilities	1,065,185	1,067,128	0%
Net position			
Net investment in capital assets	11,192,018	11,229,030	0%
Unrestricted	12,329,127	12,402,897	-1%
Total net position	\$ 23,521,145	\$ 23,631,927	0%

* prior year amounts restated.

Significant balances for the NOPFA for the operations during fiscal year 2016 where cash balances, capital assets, and noncurrent liabilities.

At year ended June 30, 2016 the NOPFA ended the year with unrestricted cash balances of \$10,112,909.

NOPFA also had capital assets recorded net of accumulated depreciation of \$11,192,018.

NOPFA also incurred \$892,234 of amounts due to depositors which represents the significant portion of total liabilities of NOPFA. As a result of the amounts due to depositors NOPFA had restricted cash and cash equivalents and investment of \$892,234.

Noncurrent liabilities had an increase of 477% primarily due to a more in-depth analysis of the current and non-current classifications for fiscal year 2016 compared to those fiscal year 2015. A significant portion is related to amounts due to depositors.

NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

**Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position
(Continued)**

Table 2 is prepared from NOPFA's Statement of Revenues, Expenses, and Change in Net Position for the year ended June 30, 2016.

Table 2
Change in Net Position
For the Year Ended June 30, 2016

	2016	*2015	% Inc. (Dec.)
Operating revenues and expenses			
Operating revenues	\$ 10,515,643	\$ 12,080,495	-13%
Less operating expenses	<u>(10,375,325)</u>	<u>(11,507,072)</u>	-10%
Net operating expenses	<u>140,318</u>	<u>573,423</u>	-76%
Nonoperating revenues	<u>48,900</u>	<u>112,014</u>	-56%
Income before special item	189,218	685,437	-72%
Special Item - Distributions to beneficiaries	<u>(300,000)</u>	<u>(415,773)</u>	-28%
Increase (decrease) in net position	<u>\$ (110,782)</u>	<u>\$ 269,664</u>	-141%

* prior year amounts restated

Revenues

The most significant revenue source of NOPFA is related to the sale of gas to customers of the Authority, with these revenues comprising 97.4% of operating revenues and 96.9% of total revenues for fiscal year 2016.

For fiscal year 2016, NOPFA saw a decrease in the revenue generated from the sale of gas of 10.1% primarily related to a more moderate winter, thus decreasing the demand and use of natural gas.

Expenses

The most significant expense of the Authority for fiscal year 2016 is the purchase of gas and transportation costs, as these expenses comprise 63.9% of operating expenses and 62.1% of total expenses.

As a result in the decrease in demand as described above, the downward pressure in demand resulting in a reduction of need to purchase gas amounts below prior year levels. NOPFA's overall decrease in gas and transportation costs was 10.5% during the fiscal year.

NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

Capital Assets and Debt Administration

For 2016, NOPFA recorded a total of \$11,192,018 in capital assets and \$9,661,755 in accumulated depreciation. During the year ended June 30, 2016 NOPFA increase in construction in progress of \$255,104 related to ongoing projects and the purchase of vehicles of \$131,699, which comprise the significant additions for the fiscal year.

At June 30, 2016, NOPFA had an obligation of \$130,516 for accrued compensated absences accrued by employees.

Table 3
Capital Assets
June 30, 2016

	2016	*2015	Change
Capital Assets	20,853,773	20,381,322	472,451
Less accumulated depreciation	(9,661,755)	(9,118,483)	(543,272)
Capital assets, net	\$ 11,192,018	\$ 11,262,839	\$ (70,821)

*Prior year amount restated.

Further detailed information can be obtained in the notes to the financial statements (Note 1 & 3)

Table 4
Long-Term Liabilities
June 30, 2016

	2016	2015	Change
Accrued compensated absences	\$ 130,516	\$ 150,355	\$ (19,839)
Total long-term liabilities	\$ 130,516	\$ 150,355	\$ (19,839)

Further detailed information can be obtained in the notes to the financial statements (Note 1 & 4)

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
- Forecasted cost of natural gas
- Age of and operating condition of capital assets
- Reserves required for future capital expansion, upgrades and replacements

NORTHEAST OKLAHOMA PUBLIC FACILITIES AUTHORITY
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2016

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 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. 74434 or telephone us at (918) 456-6268.

Northeast Oklahoma Public Facilities Authority
Statement of Net Position
June 30, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$ 10,112,909
Investments	1,726,760
Restricted:	
Cash and cash equivalents	89,223
Investments	324,500
Accounts Receivable, net	296,588
Due from other governments	41,525
Inventories	281,955
Prepaid Expenses	42,341
Total current assets	<u>12,915,801</u>

Non-current assets:

Restricted:	
Cash and cash equivalents	418,511
Investments	60,000
Capital Assets:	
Land and construction in progress	583,415
Other capital assets, net of accumulated depreciation	<u>10,608,603</u>
Total non-current assets	<u>11,670,529</u>
Total assets	<u>24,586,330</u>

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	42,435
Due to depositors	89,223
Compensated absences	65,259
Total current liabilities	<u>196,917</u>

Non-current liabilities:

Due to depositors	803,011
Compensated absences	65,257
Total non-current liabilities	<u>868,268</u>
Total liabilities	<u>1,065,185</u>

NET POSITION

Invested in capital assets	11,192,018
Unrestricted	<u>12,329,127</u>
Total net position	<u>\$ 23,521,145</u>



Northeast Oklahoma Public Facilities Authority
Statement of Revenues, Expenses and Changes in Net Position
or the Year Ended June 30, 2016

REVENUES

Charges for services:	
Charges for Services - Gas	\$ 10,241,192
Penalties	109,945
Installations and reconnects	164,506
Total operating revenues	<u>10,515,643</u>

OPERATING EXPENSES

Cost of sales - gas purchases and transportation	6,626,200
CNG expense	141,980
Salaries and wages	1,508,051
Payroll Taxes & benefits	343,898
Contracted services	319,576
Administrative	78,468
Maintenance and repairs	27,151
Insurance	268,321
Truck expenses	39,472
Office supplies and expenses	90,194
Dues and pipeline assessment	63,592
Telephone and utilities	66,437
Supplies	128,326
Miscellaneous	86,404
Depreciation	587,255
Total Operating Expenses	<u>10,375,325</u>
Operating income	<u>140,318</u>

NON-OPERATING REVENUES

Interest and investment revenue	39,720
Miscellaneous revenue	9,180
Total non-operating revenue	<u>48,900</u>
Income before special item	<u>189,218</u>
Special Item - Distributions	<u>(300,000)</u>
Change in net position	<u>(110,782)</u>
Total net position - beginning (restated)	<u>23,631,927</u>
Total net position - ending	<u>\$ 23,521,145</u>



Northeast Oklahoma Public Facilities Authority
Statements of Cash Flows
For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 10,622,479
Payments to suppliers	(7,904,647)
Payments to beneficiaries	(300,000)
Payments to employees	(1,871,788)
Receipts of customer deposits	273,164
Refunds of customer meter deposits	(270,025)
Net cash provided by operating activities	<u>549,183</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(516,435)
Net cash provided by (used in) capital and related financing activities	<u>(516,435)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	448,032
Interest and dividends	39,720
Net cash provided by investing activities	<u>487,752</u>
Net increase in cash and cash equivalents	520,500
Balances - beginning of year	<u>10,100,143</u>
Balances - end of year	<u>\$ 10,620,643</u>
Reconciliation to Statement of Net Position:	
Cash and cash equivalents	\$ 10,112,909
Restricted cash and cash equivalents - current	89,223
Restricted cash and cash equivalents - noncurrent	418,511
Total cash and cash equivalents, end of year	<u>\$ 10,620,643</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 140,318
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	587,255
Other non-operating revenues	9,180
Beneficiary distributions	(300,000)
Change in assets and liabilities:	
Accounts receivable	14,655
Other receivable	83,001
Inventory	20,263
Accounts payable	19,262
Prepaid expense	(8,051)
Deposits subject to refund	3,139
Accrued compensated absences	(19,839)
Net cash provided by operating activities	<u>\$ 549,183</u>



Northeast Oklahoma Public Facilities Authority
Notes to Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows.

Financial Reporting Entity

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 in Northeast Oklahoma. On March 25, 1960, NOPFA entered into a franchise agreement with the Public Works Authority of Tahlequah, Oklahoma to establish and operate a natural gas utility system. On November 10, 1972, the NOPFA entered into franchise agreements with the Utility Authority of Stilwell and the Town of Westville for the establishment and operation of a natural gas utility system in their areas.

NOPFA operations 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 and Stilwell, and the Town of Westville.

Basis and Presentation of Accounting

The NOPFA utilizes the proprietary fund method of accounting and accounts for the activities of the public trust in providing natural gas and compressed natural gas to the public.

For purposes of the statement of revenues, expenses and changes in net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contribution.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The Authority utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.



Northeast Oklahoma Public Facilities Authority
Notes to Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The Authority utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Cash and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except interest earning investment contracts with an initial maturity of more than three months. Those investments are reported at a cost-based measure.

Receivables

Material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets

All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$2,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	10-30 years
Machinery and Equipment	5-10 years
Utility System & Improvements	50 years
Vehicles	5 years

Inventories

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



Northeast Oklahoma Public Facilities Authority
Notes to Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

Restricted Assets

Restricted assets include cash and investments of the Authority that are legally restricted as to their use. The primary restricted assets are related to utility meter deposits.

Long-Term Debt

All long-term debts are reported as liabilities in the financial statements. The long-term debt consists of accrued compensated absences.

Compensated Absences

The NOPFA's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation leave. Upon termination an employee is paid for the accumulated balance of both vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the financial statements. The current portion of this debt is estimated based on historical trends. The NOPFA reports the liability as it is incurred.

Equity Classifications

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted net position - Consists of net position 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 position - All other net position that does not meet the definition of "restricted."

It is the NOPFA's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.



Northeast Oklahoma Public Facilities Authority
Notes to Financial Statements
June 30, 2016

Note 1: Summary of Significant Accounting Policies (Continued)

Operating Revenues and Expenses

Operating revenues and expenses for the Authority are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

Expenses are classified by Operating and Non-Operating. The Authority reports expenses relating to use of economic resources.

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 results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through October 10, 2016, which is the date the financial statements were issued

New Pronouncements Adopted

The NOPFA implemented GASB Statement No 72, Fair Value Measurement and Application was issued in February 2015 and addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for determining a fair value measurement for financial reporting purposes and also for applying fair value to certain investments and disclosures related to all fair value measurements.

The NOPFA implemented GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments was issued in June 2015, and was issued to identify the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or another event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.



Northeast Oklahoma Public Facilities Authority
Notes to Financial Statements
June 30, 2016

Note 2: Cash, Cash Equivalents, and Investments

At June 30, 2016, NOPFA held the following deposits and investments:

<u>Type of Deposit and Investment</u>	<u>Carrying Value</u>
Deposits:	
Demand	\$ 10,620,643
Non-negotiable Certificate of Deposits	<u>2,111,260</u>
Total Deposits and Investments	<u><u>\$ 12,731,903</u></u>

Reconciliation to Statement of Net Position:

Current assets:	
Cash and cash equivalents	\$ 10,112,909
Investments	1,726,760
Restricted:	
Cash and cash equivalents	89,223
Investments	324,500
Non-current assets:	
Restricted:	
Cash and cash equivalents	418,511
Investments	<u>60,000</u>
	<u><u>\$ 12,731,903</u></u>

Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the NOPFA holds deposits that are uninsured and uncollateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the NOPFA's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the NOPFA holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the NOPFA's name.

NOPFA does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$205,459 of NOPFA's bank balance of \$13,017,855 was exposed to custodial credit risk as the amounts were uninsured and uncollateralized.



Northeast Oklahoma Public Facilities Authority
Notes to Financial Statements
June 30, 2016

Note 2: Cash, Cash Equivalents and Investments (Continued)

The NOPFA investment choices are limited by state law as follows:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime banker's acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

Investments at June 30, 2016 consisted of non-negotiable certificates of deposit (interest-earning investment contracts) and where not subject to interest rate, credit, concentration of credit, or foreign currency risk.

Restricted Cash and Investments – The amounts reported as restricted assets of the statement of net position are comprised of amounts restricted for refundable deposits. The restricted assets as of June 30, 2016 are as follows:

	Current		Noncurrent	
	Cash and cash equivalents	Investments	Cash and cash equivalents	Investments
Meter deposits	\$ 89,223	\$ 324,500	\$ 418,511	\$ 60,000
Total	<u>\$ 89,223</u>	<u>\$ 324,500</u>	<u>\$ 418,511</u>	<u>\$ 60,000</u>

Note 3: Accounts Receivable

Accounts receivable of the business-type activities consist of customer's utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectible amounts.

	Accounts Receivable	Less: Allowance For Uncollectible Accounts	Net Accounts Receivable
Accounts Receivable	\$ 319,125	\$ (22,537)	<u>\$ 296,588</u>



Northeast Oklahoma Public Facilities Authority
Notes to Financial Statements
June 30, 2016

Note 4: Capital Asset Activity

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their fair value at the date of donation. For the year ended June 30, 2016, capital assets balances changed as follows:

	Restated Balance at June 30, 2015	Additions	Disposals	Balance at June 30, 2016
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in Progress	318,311	255,104	-	573,415
Total capital assets not being depreciated	<u>328,311</u>	<u>255,104</u>	<u>-</u>	<u>583,415</u>
Other capital assets:				
Buildings and improvements	1,301,792	-	-	1,301,792
CNG Stations and slow fills	2,512,880	-	-	2,512,880
Gas Distribution System	14,204,362	88,007	-	14,292,369
Equipment	1,107,355	6,759	-	1,114,114
Vehicles	926,622	166,566	(43,985)	1,049,203
Total other capital assets	<u>20,053,011</u>	<u>261,332</u>	<u>(43,985)</u>	<u>20,270,358</u>
Less accumulated depreciation for:				
Accumulated Depreciation				
Buildings and improvements	(671,520)	(47,331)	-	(718,851)
CNG Stations and slow fills	(150,782)	(50,258)	-	(201,040)
Gas Distribution System	(6,822,569)	(286,871)	-	(7,109,440)
Equipment	(874,108)	(86,665)	-	(960,773)
Vehicles	(599,504)	(116,132)	43,985	(671,651)
Total accumulated depreciation	<u>(9,118,483)</u>	<u>(587,257)</u>	<u>43,985</u>	<u>(9,661,755)</u>
Other capital assets, net	10,934,528	(325,925)	-	10,608,603
Total capital assets, net	<u>\$ 11,262,839</u>	<u>\$ (70,821)</u>	<u>\$ -</u>	<u>\$ 11,192,018</u>



Northeast Oklahoma Public Facilities Authority
Notes to Financial Statements
June 30, 2016

Note 5: Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2016, the reporting entity's long-term debt changed as follows:

<u>Type of Debt</u>	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2016</u>	<u>One Year</u>
Accrued compensated absences	\$ 150,355	\$ 141,778	\$ 161,617	\$ 130,516	\$ 65,259
Total Long-Term Debt	<u>\$ 150,355</u>	<u>\$ 141,778</u>	<u>\$ 161,617</u>	<u>\$ 130,516</u>	<u>\$ 65,259</u>

Accrued compensated absences:

Current portion	\$ 65,259
Noncurrent portion	<u>65,257</u>
Total Accrued Compensated Absences	<u>\$ 130,516</u>

Note 6: 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 Authority buildings and mobile equipment.

Note 7: Commitments and Contingencies

Litigation:

The NOPFA is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Authority and the State statute relating to judgments, the Authority feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Authority.

Contracts:

Gas purchase contract - NOPF A has a gas purchase contract with Clearwater Enterprises, LLC, entered into in May 2016, for monthly fixed price volumes through December 2022 to purchase 50% of its estimated needs at \$ 3.98 per MMBTU and the remaining 50% at the daily gas price. The contract also includes the purchase of CNG at \$1.59 MMBTU for an estimated monthly demand of 2,750 dekatherms per month.



Northeast Oklahoma Public Facilities Authority
Notes to Financial Statements
June 30, 2016

Note 8: Pension Plan Participation

On January 1, 1973, NOPFA established a Target Benefit Pension Plan (a defined contribution 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. 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 of 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).

Benefit terms including contribution requirements, for NOPFA are established and may be amended by the Board. For each employee in the plan, the Authority is required to contribute 5 percent of eligible employee's gross wages. Contributions in the amount of \$ 72,135 were made by NOPFA and recognized as pension expense.

In addition to the Defined Contribution Plan described above, NOPFA has also established a Section 457 Retirement Plan for accumulation of all full-time employee contributions to their retirement plan. Under this Plan, the employee's actual retirement benefit 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.

During fiscal year ended June 30, 2016, contributions in the amount of \$87,990 were made by the employees, while \$69,916 were made by NOPFA and recognized as pension expense.

Note 9: Prior Period Adjustments

Adjustments were made to beginning net position to correct errors in the prior year financial statements. The adjustments were to amount of deposit liability recognized and to the amount recognized for capital assets. The cumulative effect of these adjustments is as follows:

Beginning net position, as previously reported	\$	23,600,162
Adjustments:		
Due to Depositors		(2,044)
Capital Assets		33,809
Adjusted beginning net position	<u>\$</u>	<u>23,631,927</u>



Northeast Oklahoma Public Facilities Authority
Notes to Financial Statements
June 30, 2016

Note 10: New Accounting Pronouncements

The GASB has issued several new accounting pronouncements, which will be effective in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the Authority's consideration of the impact of these pronouncements are described below:

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 was issued in June 2015 and establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement is for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The Authority has not yet determined the impact that implementation of GASB 73 will have on its net position.

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans was issued in June 2015, and replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The Authority has not yet determined the impact that implementation of GASB 74 will have on its net position.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The Authority has not yet determined the impact that implementation of GASB 75 will have on its net position.



Northeast Oklahoma Public Facilities Authority
Notes to Financial Statements
June 30, 2016

Note 10: New Accounting Pronouncements (Continued)

GASB Statement No. 77, Tax Abatement Disclosures was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The Authority has not yet determined the impact that implementation of GASB 77 will have on its net position.

ASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans – GASB 78 was issued in December 2015, and amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers, and (3) has no predominant state or local governmental employer. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The Authority has not yet determined the impact that implementation of GASB 78 will have on its net position.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants – GASB 79 was issued in December 2015, and establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the criteria. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The Authority has not yet determined the impact that implementation of GASB 79 will have on its net position.

GASB Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14 – GASB 80 was issued January 2016, and amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. The Authority has not yet determined the impact that implementation of GASB 80 will have on its net position.

GASB Statement No. 81, Irrevocable Split Interest Agreements – GASB 81 was issued March 2016, and provides accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016. The Authority has not yet determined the impact that implementation of GASB 80 will have on its net position.



Northeast Oklahoma Public Facilities Authority
Notes to Financial Statements
June 30, 2016

Note 10: New Accounting Pronouncements (Continued)

GASB Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73 – GASB 82 was issued March 2016, and addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Authority has not yet determined the impact that implementation of GASB 82 will have on its net position.



OTHER SUPPLEMENTARY INFORMATION



Northeast Oklahoma Public Facilities Authority
Combining Schedule of Net Position – Enterprise Fund Accounts
June 30, 2016

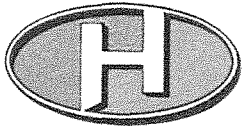
	NOPFA			Total NOPFA
	Tahlequah Gas System	Administrative Account	Stilwell- Westville Gas System	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,523,495	\$ 124,396	\$ 3,465,018	\$ 10,112,909
Investments	906,947	-	819,813	1,726,760
Restricted:				
Cash and cash equivalents	65,070	-	24,153	89,223
Investments	287,000	-	37,500	324,500
Due from other accounts	4,503	-	-	4,503
Accounts receivable, net	169,169	-	127,419	296,588
Due from other governments	32,202	-	9,323	41,525
Inventories	197,981	-	83,974	281,955
Prepaid expenses	23,646	3,380	15,315	42,341
Total current assets	<u>8,210,013</u>	<u>127,776</u>	<u>4,582,515</u>	<u>12,920,304</u>
Non-current assets:				
Restricted:				
Cash and cash equivalents	298,633	-	119,878	418,511
Investments	-	-	60,000	60,000
Capital Assets:				
Land and construction in progress	583,415	-	-	583,415
Other capital assets, net of accumulated depreciation	6,908,047	25,836	3,674,720	10,608,603
Total non-current assets	<u>7,790,095</u>	<u>25,836</u>	<u>3,854,598</u>	<u>11,670,529</u>
Total assets	<u>16,000,108</u>	<u>153,612</u>	<u>8,437,113</u>	<u>24,590,833</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	30,537	-	11,898	42,435
Due to other accounts	-	4,455	48	4,503
Due to depositors	65,070	-	24,153	89,223
Compensated absences	27,365	15,277	22,617	65,259
Total current liabilities	<u>122,972</u>	<u>19,732</u>	<u>58,716</u>	<u>201,420</u>
Non-current liabilities:				
Due to depositors	585,633	-	217,378	803,011
Compensated absences	27,364	15,277	22,616	65,257
Total non-current liabilities	<u>612,997</u>	<u>15,277</u>	<u>239,994</u>	<u>868,268</u>
Total liabilities	<u>735,969</u>	<u>35,009</u>	<u>298,710</u>	<u>1,069,688</u>
NET POSITION				
Invested in capital assets	7,491,462	25,836	3,674,720	11,192,018
Unrestricted	7,772,677	92,767	4,463,683	12,329,127
Total net position	<u>\$ 15,264,139</u>	<u>\$ 118,603</u>	<u>\$ 8,138,403</u>	<u>\$ 23,521,145</u>



Northeast Oklahoma Public Facilities Authority
Combining Schedule of Revenues, Expenses and Change in Net Position –
Enterprise Fund Accounts
Year Ended June 30, 2016

	NOPFA			Total NOPFA
	Tahlequah Gas System	Administrative Account	Stilwell-Westville Gas System	
REVENUES				
Charges for services:				
Charges for Services - Gas	\$ 6,642,507	\$ -	\$ 3,598,685	\$ 10,241,192
Penalties	91,244	-	18,701	109,945
Installations and reconnects	133,395	-	31,111	164,506
Total operating revenues	<u>6,867,146</u>	<u>-</u>	<u>3,648,497</u>	<u>10,515,643</u>
OPERATING EXPENSES				
Cost of sales - gas purchases and transportation	4,261,673	-	2,364,527	6,626,200
CNG expense	141,980	-	-	141,980
Salaries and wages	772,982	289,658	445,411	1,508,051
Payroll Taxes & benefits	196,761	54,146	92,991	343,898
Contracted services	292,484	10,457	16,635	319,576
Administrative	15,824	717	61,927	78,468
Maintenance and repairs	10,869	156	16,126	27,151
Insurance	153,380	31,714	83,227	268,321
Truck expenses	33,087	1,970	4,415	39,472
Office supplies and expenses	64,432	17,284	8,478	90,194
Dues and pipeline assessment	37,537	7,025	19,030	63,592
Telephone and utilities	39,916	5,108	21,413	66,437
Supplies	103,934	100	24,292	128,326
Miscellaneous	78,183	2,896	5,325	86,404
Depreciation	383,100	7,010	197,145	587,255
Total Operating Expenses	<u>6,586,142</u>	<u>428,241</u>	<u>3,360,942</u>	<u>10,375,325</u>
Operating income (loss)	<u>281,004</u>	<u>(428,241)</u>	<u>287,555</u>	<u>140,318</u>
NON-OPERATING REVENUES				
Interest and investment revenue	27,208	-	12,512	39,720
Miscellaneous revenue	9,180	-	-	9,180
Total non-operating revenue	<u>36,388</u>	<u>-</u>	<u>12,512</u>	<u>48,900</u>
Income (loss) before interaccount transfers and special item	<u>317,392</u>	<u>(428,241)</u>	<u>300,067</u>	<u>189,218</u>
Interaccount transfers in	-	438,000	-	438,000
Interaccount transfers out	(284,700)	-	(153,300)	(438,000)
Special Item - Distributions	(160,000)	-	(140,000)	(300,000)
Change in net position	<u>(127,308)</u>	<u>9,759</u>	<u>6,767</u>	<u>(110,782)</u>
Total net position - beginning (restated)	<u>15,391,447</u>	<u>108,844</u>	<u>8,131,636</u>	<u>23,631,927</u>
Total net position - ending	<u>\$ 15,264,139</u>	<u>\$ 118,603</u>	<u>\$ 8,138,403</u>	<u>\$ 23,521,145</u>





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**Independent Auditors' Report on Compliance and on Internal Control
over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Trustees
Northeast Oklahoma Public Facilities Authority
Tahlequah, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Northeast Oklahoma Public Facilities Authority, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Northeast Oklahoma Public Facilities Authority's basic financial statements, and have issued our report thereon dated October 10, 2016.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Trustees
Northeast Oklahoma Public Facilities Authority

Compliance and Other Matters

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

Purpose of this Report

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

Hick & Company, PC

Tulsa, Oklahoma
October 10, 2016



Northeast Oklahoma Public Facilities Authority
Summary Schedule of Prior Audit Findings
June 30, 2016

Finding 2015-1

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 asset records.

Name of contact person: Mr. Jim Reagan, Executive Director

Corrective Action: The Organization has purchased an Asset Management Software and has also contracted with a consultant firm who prepares the financial statements in conformity with generally accepted accounting principles.

Status: Resolved.

Finding 2015-2

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. Bad debt write offs made by TPWA and reflected in the detailed subsidiary records were not posted to the general ledger by NOPFA. Additionally, penalties were not properly recorded.

Name of contact person: Mr. Jim Reagan, Executive Director

Corrective Action: The Organization has created a comprehensive spreadsheet to help reconcile balances and will be handling all accounts receivable activities with its own employees sometime after 1.1.2017 and has contracted with a consulting firm who prepares the financial statements in conformity with generally accepted accounting principles.

Status: Resolved.



Northeast Oklahoma Public Facilities Authority
Summary Schedule of Prior Audit Findings
June 30, 2016

(Continued)

Finding 2015-3

Reconciliation of Meter Deposit Liability Account

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 – Proper reconciliations were not performed for the meter deposit liability account during the year.

Name of contact person: Mr. Jim Reagan, Executive Director

Corrective Action: The Organization created a comprehensive spreadsheet to help reconcile account balances and has contracted with a consulting firm who prepares the financial statements in conformity with generally accepted accounting principles.

Status: Resolved.

Finding 2015-4

Year-End Adjustments and Reclassifications

Criteria – Entities should have available personnel that collectively possess the skills, knowledge, and experience to ensure the preparation of financial statements that are not materially misstated.

Condition – During the course of the audit of NOPFA for the year ended June 30, 2015, we proposed eighteen (18) audit adjusting entries, many of which were considered material.

Name of contact person: Mr. Jim Reagan, Executive Director

Corrective Action: The Organization has contracted with a consulting firm who closes their books and prepares the financial statements in conformity with generally accepted accounting principles.

Status: Resolved.

