

AUDIT REPORT
TANEHA UTILITIES AUTHORITY
SAPULPA, OKLAHOMA
FOR YEARS ENDED DECEMBER 31, 2013 AND 2012

Audited by

JACK H. JENKINS
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION
TULSA, OK

**TANEHA UTILITIES AUTHORITY
SAPULPA, OKLAHOMA
DECEMBER 31, 2013**

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**TANEHA UTILITIES AUTHORITY
BOARD OF DIRECTORS
DECEMBER 31, 2013**

BOARD OF DIRECTORS

Chairman	Michael Houser
Vice-Chairman	Delores Harper
Secretary/Treasurer	Steve Redfern
Member	Vacant
Member	Vacant



Jack H. Jenkins, CPA *A Professional Corporation*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Taneha Utilities Authority
Sapulpa, Oklahoma 74066

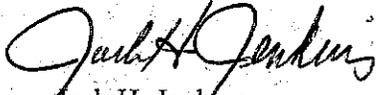
I have audited the accompanying financial statements of the business-type activities of the Taneha Utilities Authority, Sapulpa, Oklahoma, as of and for the years ended December 31, 2013 and 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Taneha Utilities Authority, Sapulpa, Oklahoma, as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management has elected to omit the Management Discussion and Analysis, which is considered required supplementary information. Due to this omission, the usefulness and accessibility of the financial statements are limited to the Authority's management. The omission of this information does not affect the opinion expressed on the financial statements as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated February 24, 2014, on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Jack H. Jenkins
Certified Public Accountant, P.C.

February 24, 2014



Jack H. Jenkins, CPA *A Professional Corporation*

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Taneha Utilities Authority
Sapulpa, Oklahoma 74066

I have audited the financial statements of the Taneha Utilities Authority, Sapulpa, Oklahoma, as of and for the year ended December 31, 2013, and have issued my report thereon dated February 24, 2014. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the combined financial statements - regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information of the board of directors and management, and is not intended and should not be used by anyone other than these specified parties.



Jack H. Jenkins
Certified Public Accountant, P.C.

February 24, 2014

**TANEHA UTILITIES AUTHORITY
SCHEDULE OF AUDIT RESULTS
DECEMBER 31, 2013**

Findings – Financial Statement Audit

There were no material findings.

TANEHA UTILITIES AUTHORITY
STATEMENT OF NET ASSETS
FOR YEARS ENDED DECEMBER 31, 2013 & 2012

	December 31,	
<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash in bank	\$ 350,799	362,663
Certificates of deposit	100,000	100,000
Accounts receivable	112,692	110,461
Accrued interest receivable	57	70
Total current assets	563,548	573,194
Noncurrent assets:		
Capital Assets:		
Utility plant	2,769,867	2,548,432
Less: accumulated depreciation	(1,689,700)	(1,621,410)
Total noncurrent assets	1,080,167	927,022
Total Assets	1,643,715	1,500,216
 <u>LIABILITIES</u>		
Current Liabilities:		
Current maturities of long-term debt	-	6,384
Accounts payable	6,871	9,336
Accrued interest payable	-	27
Total current liabilities	6,871	15,747
Long-Term Debt, less current maturities		
Note payable	-	175
Total non-current liabilities	-	175
Total Liabilities	6,871	15,922
 <u>NET ASSETS</u>		
Invested in capital assets, net of related debt	1,080,167	920,463
Unrestricted	556,677	563,831
Total Net Assets	\$ 1,636,844	1,484,294

The accompanying notes are an integral part of the financial statements

**TANEHA UTILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR YEARS ENDED DECEMBER 31, 2013 & 2012**

	December 31,	
	2013	2012
Operating Revenues:		
Sewer user fees	\$ 626,054	654,037
Tap sales	4,950	6,450
Other income	1,554	2,958
Total operating revenues	632,558	663,445
Operating Expenses:		
Treatment expense	229,201	263,903
Utilities	16,907	22,231
Management Fees	60,000	68,839
Maintenance	46,152	31,785
Engineering	39,512	16,256
Professional fees	1,900	1,900
Miscellaneous	166	
Collection fees	12,080	11,926
Insurance	6,059	6,803
Depreciation	68,290	65,522
Total operating expenses	480,267	489,165
Operating Income (Loss)	152,291	174,280
Non-Operating Revenues (Expenses):		
Interest expense	(814)	(1,894)
Interest income	1,073	655
Total non-operating revenues (expenses)	259	(1,239)
Changes in Net Assets	152,550	173,041
Total Net Assets, beginning of period	1,484,294	1,311,253
Total Net Assets, end of period	\$ 1,636,844	1,484,294

**TANEHA UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2013 & 2012**

	December 31,	
	2013	2012
Cash Flows from Operating Activities:		
Cash received from customers	\$ 630,327	654,603
Cash paid to suppliers	(414,442)	(424,335)
Net cash flows from operating activities	215,885	230,268
Cash Flows from Investing Activities:		
Plant improvements	(221,435)	-
Receipt of interest	1,059	601
Net cash flows from investing activities	(220,376)	601
Cash Flows from Financing Activities:		
Interest paid on notes payable	(814)	(1,920)
Principal paid on notes payable	(6,559)	(17,417)
Net cash flows from financing activities	(7,373)	(19,337)
Net increase (decrease) in cash and cash equivalents	(11,864)	211,532
Cash and cash equivalents, beginning of period	362,663	151,131
Cash and cash equivalents, end of period	\$ 350,799	362,663
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 152,291	174,280
Add depreciation expense	68,290	65,522
(Increase)/Decrease in Current Assets		
Accounts receivable, net	(2,231)	(8,842)
Increase/(Decrease) in Current Liabilities		
Accounts payable	(2,465)	(692)
Net cash flows from operating activities	\$ 215,885	230,268

The accompanying notes are an integral part of the financial statements

**TANEHA UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2013 AND 2012**

Note 1 – Organization

Taneha Utilities Authority, Sapulpa, Oklahoma, is recognized as a public not for profit rural water Authority under Oklahoma Statutes, Title 82. The purpose of the organization is to provide sewer and sanitation services to residential and commercial customers who are members of the Authority.

Note 2 – Summary of significant accounting policies

Reporting Entity

Taneha Utilities Authority is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost of providing water services is financed through user charges.

Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the balance sheet. The operating statements present increases and decreases in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Accounts Receivable

Billings and collections are handled by the Creek County Rural Water District No. 4. The costs of these services are deducted from amounts collected and remitted to the Authority. Billings for accounts receivable at December 31, 2013 and 2012, were \$112,692 and \$110,461, respectively. No computation was made for allowance for doubtful accounts, which is not considered to be material to the financial statements. The aging of these accounts is detailed as follows:

	<u>2013</u>	<u>2012</u>
1-30 Days	<u>112,692</u>	<u>110,461</u>

**TANEHA UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2013 AND 2012**

Note 2 – Summary of significant accounting policies – cont'd

Inventory

Inventory is expensed when used and the amount of inventory on hand was deemed to be immaterial to the financial statements.

Property and Equipment

Property and equipment is recorded at cost when purchased. Depreciation expense is recorded using the straight-line method over the estimated useful life of the asset. Water line extensions and improvements are depreciated using a 40-year life. Equipment is depreciated using a 5 year life. Water system improvements constructed by the Authority include capitalizing the direct cost of materials and labor. If an asset is permanently impaired in value, the asset cost is written down to market value. Line extension costs reimbursed by the customer are not capitalized and accordingly not depreciated.

Cash and Cash Equivalents

Cash and cash equivalents, shown in the financial statements, are amounts that are not subject to fluctuations in principal value due to changing market conditions and have a maturity of less than three months.

Custodial Credit Risk

At December 31, 2013 and 2012, the Authority held deposits of approximately \$450,799 and \$462,663, respectively at financial institutions. The Authority's cash deposits are entirely covered by Federal Depository Insurance.

Note 3 – Accumulated Unpaid Vacation and Sick Pay

At December 31, 2013 and 2012, no determination of the aggregate dollar value of vacation and sick pay had been made.

Note 4 – Contingent Liabilities

The Authority had no known contingent liabilities as of the balance sheet date.

**TANEHA UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2013 AND 2012**

Note 5 – Risk Management

Taneha Utilities Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Note 6 – Long-Term Debt

The Authority did not have any outstanding debt as of December 31, 2013.

Note 7 – Capital Assets

The following is a summary of changes in property, plant and equipment:

	Balance December 31, 2012	Additions	Deletions	Balance December 31, 2013
Water System & Equipment	\$2,548,432	221,435		2,769,867
Less accumulated depreciation	(1,621,410)	(68,290)		(1,689,700)
Net	<u>\$ 927,022</u>	<u>153,145</u>		<u>1,080,167</u>

Note 8 – Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.