

AUDIT REPORT
TANEHA UTILITIES AUTHORITY
SAPULPA, OKLAHOMA
FOR YEARS ENDED DECEMBER 31, 2017 AND 2016



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**TANEHA UTILITIES AUTHORITY
SAPULPA, OKLAHOMA
DECEMBER 31, 2017**

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**TANEHA UTILITIES AUTHORITY
SAPULPA, OKLAHOMA
DECEMBER 31, 2017**

BOARD OF TRUSTEES

Chairman	Steve Redfearn
Vice-Chairman	Tom Davis
Treasurer	Kevin Tunnell
Member	Cherie Blakley
Member	Delores Harper



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Taneha Utilities Authority
Sapulpa, OK 74066

We have audited the accompanying financial statements of the business-type activities of Taneha Utilities Authority (the Authority), Sapulpa, Oklahoma, as of and for the years ended December 31, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the District'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 the accrual basis of accounting as described in Note 1. Management is also responsible for 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.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Taneha Utilities Authority as of December 31, 2017, and the respective changes in net 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

Taneha Utilities Authority has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on these financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued a report dated April 3, 2018, 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 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 in considering the Authority's internal control over financial reporting and compliance.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants

April 3, 2018



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

**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**

Board of Trustees
Taneha Utilities Authority
Sapulpa, Oklahoma 74066

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 Taneha Utilities Authority as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon, dated April 3, 2018. Taneha Utilities Authority has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although not be a part of, the basic financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over.

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 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.

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 over 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

April 3, 2018

**TANEHA UTILITIES AUTHORITY
SCHEDULE OF AUDIT RESULTS
DECEMBER 31, 2017**

Findings – Financial Statement Audit

There were no material findings.

TANEHA UTILITIES AUTHORITY
STATEMENT OF NET POSITION
FOR YEARS ENDED DECEMBER 31, 2017 & 2016

	<u>December 31,</u>	
<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash in bank	\$ 213,734	247,583
Certificates of deposit	100,000	100,000
Accounts receivable	143,303	132,661
Total current assets	<u>457,037</u>	<u>480,244</u>
Noncurrent assets:		
Capital Assets:		
Utility plant	3,661,615	3,195,916
Less: accumulated depreciation	<u>(1,999,237)</u>	<u>(1,914,121)</u>
Total noncurrent assets	<u>1,662,378</u>	<u>1,281,795</u>
Total Assets	<u>2,119,415</u>	<u>1,762,039</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	8,095	2,990
Current portion of notes payable	68,545	-
Total current liabilities	<u>76,640</u>	<u>2,990</u>
Long-term debt, less current maturities		
American Heritage Bank	<u>292,572</u>	<u>-</u>
Total Liabilities	<u>369,212</u>	<u>2,990</u>
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	1,301,261	1,281,795
Unrestricted	448,942	477,254
Total net position	<u>\$ 1,750,203</u>	<u>1,759,049</u>

The accompanying notes are an integral part of the financial statements

TANEHA UTILITIES AUTHORITY
STATEMENT OF ACTIVITIES
FOR YEARS ENDED DECEMBER 31, 2017 & 2016

	December 31,	
	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Sewer user fees	\$ 557,689	578,177
Tap sales	4,325	2,800
Other income	2,466	285
Total operating revenues	<u>564,480</u>	<u>581,262</u>
Operating Expenses:		
Treatment expense	279,876	310,687
Utilities	22,764	21,003
Management Fees	96,900	96,900
Maintenance	53,843	68,330
Engineering	4,598	-
Professional fees	10,164	2,300
Miscellaneous	136	763
Collection fees	10,459	10,795
Insurance	7,356	7,878
Depreciation	85,116	77,767
Total operating expenses	<u>571,212</u>	<u>596,423</u>
Operating income (loss)	(6,732)	(15,161)
Non-Operating Revenues (Expenses):		
Interest income	980	3,002
Interest expense	(3,094)	-
Total non-operating revenues (expenses)	<u>(2,114)</u>	<u>3,002</u>
Changes in net position	(8,846)	(12,159)
Total net position, beginning of period	<u>1,759,049</u>	<u>1,771,208</u>
Total net position, end of period	<u><u>\$ 1,750,203</u></u>	<u><u>1,759,049</u></u>

The accompanying notes are an integral part of the financial statements

TANEHA UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2017 & 2016

	December 31,	
	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 553,839	575,427
Cash paid to suppliers	(480,992)	(518,978)
Net cash flows from operating activities	<u>72,847</u>	<u>56,449</u>
Cash Flows from Investing Activities:		
Plant improvements	(465,699)	(122,136)
Receipt of interest	980	3,002
Net cash flows from investing activities	<u>(464,719)</u>	<u>(119,134)</u>
Cash Flows from Financing Activities:		
Interest paid on notes payable	(3,094)	-
Proceeds from note payable	361,117	-
Net cash flows from financing activities	<u>358,023</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(33,849)	(62,685)
Cash and cash equivalents, beginning of period	<u>247,583</u>	<u>310,268</u>
Cash and cash equivalents, end of period	<u><u>\$ 213,734</u></u>	<u><u>247,583</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (6,732)	(15,161)
Add depreciation expense	85,116	77,767
(Increase)/Decrease in Current Assets		
Accounts receivable, net	(10,642)	(5,835)
Increase/(Decrease) in Current Liabilities		
Accounts payable	5,105	(322)
Net cash flows from operating activities	<u><u>\$ 72,847</u></u>	<u><u>56,449</u></u>

The accompanying notes are an integral part of the financial statements

**TANEHA UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016, were \$143,303 and \$132,661, 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>2017</u>	<u>2016</u>
1-30 Days	<u>143,303</u>	<u>132,661</u>

**TANEHA UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016, the Authority held deposits of approximately \$313,734 and \$347,583, 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, 2017 and 2016, 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, 2017 AND 2016**

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 following is a summary of the long-term debt transactions of the District for the year ended December 31, 2017:

Balance 12/31/16	\$	-
Additions		361,117
Retirements		<u>-</u>
Balance, 12/31/17	\$	<u>361,117</u>

Long-term debt at December 31, 2017, is detailed as follows:

Promissory Note, dated November, 2017 for \$361,117 payable to American Heritage Bank, 2.55% interest, monthly payments of \$6,423 beginning January 15, 2018 final payment in December, 2022.	\$ 361,117
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The annual debt service requirements for the retirement of principal and interest payments are as follows:

Year-ending December 31	Principal	Interest	Total
2018	\$ 68,545	8,527	77,072
2019	70,338	6,734	77,072
2020	72,163	4,909	77,072
2021	74,067	3,005	77,072
2022	76,004	1,068	77,072
Total	<u>\$ 361,117</u>	<u>24,243</u>	<u>385,360</u>

**TANEHA UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 7 – Capital Assets

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

Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
\$ 3,195,916	465,699		3,661,615
<u>(1,914,121)</u>	<u>(85,116)</u>	<u> </u>	<u>(1,999,237)</u>
<u>\$ 1,281,795</u>	<u>380,583</u>	<u> </u>	<u>1,662,378</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.