

**AUDIT REPORT**  
**TANEHA UTILITIES AUTHORITY**  
**SAPULPA, OKLAHOMA**  
**FOR YEARS ENDED DECEMBER 31, 2015 AND 2014**



**JENKINS & KEMPER**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**TANEHA UTILITIES AUTHORITY  
SAPULPA, OKLAHOMA  
DECEMBER 31, 2015**

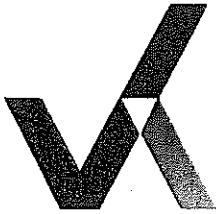
**TABLE OF CONTENTS**

|                                                                                                                                                                                                     | <u>PAGE</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Table of Contents                                                                                                                                                                                   | 1           |
| Board of Trustees                                                                                                                                                                                   | 2           |
| Independent Auditor's Report                                                                                                                                                                        | 3-4         |
| Independent Auditor's Report on Compliance and Internal Control<br>Over Financial Reporting Based on an Audit of Financial Statements<br>Performed in Accordance with Government Auditing Standards | 5-6         |
| Schedule of Audit Results                                                                                                                                                                           | 7           |
| <br><b>COMBINED FINANCIAL STATEMENTS:</b>                                                                                                                                                           |             |
| Statement of Net Assets                                                                                                                                                                             | 8           |
| Statement of Revenues, Expenses and Changes in Net Assets                                                                                                                                           | 9           |
| Statement of Cash Flows                                                                                                                                                                             | 10          |
| Notes to Financial Statements                                                                                                                                                                       | 11-13       |

**TANEHA UTILITIES AUTHORITY  
SAPULPA, OKLAHOMA  
DECEMBER 31, 2015**

**BOARD OF TRUSTEES**

|                     |                |
|---------------------|----------------|
| Chairman            | Steve Redfearn |
| Vice-Chairman       | Vacant         |
| Secretary/Treasurer | Cherie Blakley |
| Member              | Tom Davis      |
| Member              | Kevin Tunnell  |



**JENKINS & KEMPER**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA  
MICHAEL KEMPER, CPA

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Taneha Utilities Authority  
Sapulpa, Oklahoma 74066

We have audited the accompanying financial statements of the business-type activities of Taneha Utilities Authority, Sapulpa, Oklahoma as of and for the years ended December 31, 2014 and 2015, 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.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for 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 opinions.

### **Opinions**

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 the Authority as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof 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, Sapulpa, Oklahoma 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 March 1, 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 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, P.C.

March 1, 2016



**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 the financial statements of the business-type activities of Taneha Utilities Authority, Sapulpa, Oklahoma as of and for the years ended December 31, 2014 and 2015, and have issued our report thereon, dated March 1, 2016. We conducted our audit in accordance with generally accepted auditing standards 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 our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 over financial reporting 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. There can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we 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, 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 my 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.

*Jenkins & Kemper, CPAs P.C.*

Jenkins & Kemper  
Certified Public Accountants, P.C.

March 1, 2016

**TANEHA UTILITIES AUTHORITY  
SCHEDULE OF AUDIT RESULTS  
DECEMBER 31, 2015**

**Findings – Financial Statement Audit**

There were no material findings.

**TANEHA UTILITIES AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**FOR YEARS ENDED DECEMBER 31, 2015 & 2014**

|                                                 | <u>December 31,</u> |                    |
|-------------------------------------------------|---------------------|--------------------|
| <u>ASSETS</u>                                   | <u>2015</u>         | <u>2014</u>        |
| Current assets:                                 |                     |                    |
| Cash in bank                                    | \$ 310,268          | 464,020            |
| Certificates of deposit                         | 100,000             | 100,000            |
| Accounts receivable                             | 126,826             | 113,757            |
| Total current assets                            | <u>537,094</u>      | <u>677,777</u>     |
| Noncurrent assets:                              |                     |                    |
| Capital Assets:                                 |                     |                    |
| Utility plant                                   | 3,073,780           | 2,847,813          |
| Less: accumulated depreciation                  | <u>(1,836,354)</u>  | <u>(1,761,732)</u> |
| Total noncurrent assets                         | <u>1,237,426</u>    | <u>1,086,081</u>   |
| Total Assets                                    | <u>1,774,520</u>    | <u>1,763,858</u>   |
| <br><u>LIABILITIES</u>                          |                     |                    |
| Current Liabilities:                            |                     |                    |
| Accounts payable                                | <u>3,312</u>        | <u>3,401</u>       |
| <br><u>NET ASSETS</u>                           |                     |                    |
| Invested in capital assets, net of related debt | 1,237,426           | 1,086,081          |
| Unrestricted                                    | <u>533,782</u>      | <u>674,376</u>     |
| Total Net Assets                                | <u>\$ 1,771,208</u> | <u>1,760,457</u>   |

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, 2015 & 2014**

|                                           | December 31,               |                         |
|-------------------------------------------|----------------------------|-------------------------|
|                                           | <u>2015</u>                | <u>2014</u>             |
| <b>Operating Revenues:</b>                |                            |                         |
| Sewer user fees                           | \$ 574,582                 | 617,025                 |
| Tap sales                                 | 3,500                      | 4,775                   |
| Other income                              | 1,871                      | 1,900                   |
| Total operating revenues                  | <u>579,953</u>             | <u>623,700</u>          |
| <b>Operating Expenses:</b>                |                            |                         |
| Treatment expense                         | 332,613                    | 251,643                 |
| Utilities                                 | 21,870                     | 20,212                  |
| Management Fees                           | 85,200                     | 85,000                  |
| Maintenance                               | 29,842                     | 35,813                  |
| Engineering                               | 6,650                      | 15,000                  |
| Professional fees                         | 2,100                      | 1,900                   |
| Miscellaneous                             | -                          | 100                     |
| Collection fees                           | 10,425                     | 11,976                  |
| Insurance                                 | 6,967                      | 7,442                   |
| Depreciation                              | 74,622                     | 72,032                  |
| Total operating expenses                  | <u>570,289</u>             | <u>501,118</u>          |
| Operating Income (Loss)                   | 9,664                      | 122,582                 |
| <b>Non-Operating Revenues (Expenses):</b> |                            |                         |
| Interest income                           | <u>1,087</u>               | <u>1,031</u>            |
| Total non-operating revenues (expenses)   | <u>1,087</u>               | <u>1,031</u>            |
| Changes in Net Assets                     | 10,751                     | 123,613                 |
| Total Net Assets, beginning of period     | <u>1,760,457</u>           | <u>1,636,844</u>        |
| Total Net Assets, end of period           | <u><u>\$ 1,771,208</u></u> | <u><u>1,760,457</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, 2015 & 2014**

|                                                                                                | December 31,      |                 |
|------------------------------------------------------------------------------------------------|-------------------|-----------------|
|                                                                                                | <u>2015</u>       | <u>2014</u>     |
| <b>Cash Flows from Operating Activities:</b>                                                   |                   |                 |
| Cash received from customers                                                                   | \$ 566,884        | 622,635         |
| Cash paid to suppliers                                                                         | (495,756)         | (432,556)       |
| Net cash flows from operating activities                                                       | <u>71,128</u>     | <u>190,079</u>  |
| <b>Cash Flows from Investing Activities:</b>                                                   |                   |                 |
| Plant improvements                                                                             | (225,967)         | (77,946)        |
| Receipt of interest                                                                            | 1,087             | 1,088           |
| Net cash flows from investing activities                                                       | <u>(224,880)</u>  | <u>(76,858)</u> |
| <b>Cash Flows from Financing Activities:</b>                                                   |                   |                 |
| Interest paid on notes payable                                                                 | -                 | -               |
| Principal paid on notes payable                                                                | -                 | -               |
| Net cash flows from financing activities                                                       | <u>-</u>          | <u>-</u>        |
| Net increase (decrease) in cash and cash equivalents                                           | (153,752)         | 113,221         |
| Cash and cash equivalents, beginning of period                                                 | <u>464,020</u>    | <u>350,799</u>  |
| Cash and cash equivalents, end of period                                                       | <u>\$ 310,268</u> | <u>464,020</u>  |
| <b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b> |                   |                 |
| Operating income (loss)                                                                        | \$ 9,664          | 122,582         |
| Add depreciation expense                                                                       | 74,622            | 72,032          |
| (Increase)/Decrease in Current Assets                                                          |                   |                 |
| Accounts receivable, net                                                                       | (13,069)          | (1,065)         |
| Increase/(Decrease) in Current Liabilities                                                     |                   |                 |
| Accounts payable                                                                               | (89)              | (3,470)         |
| Net cash flows from operating activities                                                       | <u>\$ 71,128</u>  | <u>190,079</u>  |

The accompanying notes are an integral part of the financial statements

**TANEHA UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR YEARS ENDED DECEMBER 31, 2015 AND 2014**

**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, 2015 and 2014, were \$126,826 and \$113,757, 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>2015</u>    | <u>2014</u>    |
|-----------|----------------|----------------|
| 1-30 Days | <u>126,826</u> | <u>113,757</u> |

**TANEHA UTILITIES AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR YEARS ENDED DECEMBER 31, 2015 AND 2014**

**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, 2015 and 2014, the Authority held deposits of approximately \$410,268 and \$564,020, 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, 2015 and 2014, 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, 2015 AND 2014**

**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, 2015.

**Note 7 – Capital Assets**

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

|                               | Balance<br>December<br>31, 2014 | Additions      | Deletions | Balance<br>December<br>31, 2015 |
|-------------------------------|---------------------------------|----------------|-----------|---------------------------------|
| Water System & Equipment      | \$2,847,813                     | 225,967        |           | 3,073,780                       |
| Less accumulated depreciation | (1,761,732)                     | (74,622)       |           | (1,836,354)                     |
| Net                           | <u>\$1,086,081</u>              | <u>151,345</u> |           | <u>1,237,426</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.