

AUDIT REPORT
WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
FOR YEAR ENDED DECEMBER 31, 2018



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
DECEMBER 31, 2018**

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**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
DECEMBER 31, 2018**

BOARD OF DIRECTORS

Chairman	Ron Doss
Treasurer	Michael Hughart
Member	John Grayson

BOOKKEEPER

Sharon Todd



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Water Improvement District #14
Sand Springs, OK 74063

We have audited the accompanying financial statements of the business-type activities of Water Improvement District #14 (the District), Sand Springs, Oklahoma, as of and for the year ended December 31, 2018, 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 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 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 Water Improvement District #14 as of December 31, 2018,

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

Water Improvement District #14 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 17, 2019, on our consideration of the District'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 District's internal control over financial reporting and compliance.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants

April 17, 2019



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
Water Improvement District #14
Sand Springs, Oklahoma 74063

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 Water Improvement District #14 as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon, dated April 17, 2019. Water Improvement District #14 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 District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 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.

April 17, 2019

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED DECEMBER 31, 2018**

Findings – Financial Statement Audit

There were no findings.

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
STATEMENT OF NET POSITION
FOR YEAR ENDED DECEMBER 31, 2018**

ASSETS

Current assets:

Cash in bank and on hand	\$ 207,829
Accounts receivable, net	33,327
Inventory	300
Prepaid insurance	2,459
Total current assets	<u>243,915</u>

Noncurrent assets:

Cash - customer meter deposits	34,430
Capital Assets:	
Building & contents	63,550
Water system	643,402
Less: accumulated depreciation	<u>(400,505)</u>
Total noncurrent assets	<u>340,877</u>

Total Assets	<u>584,792</u>
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LIABILITIES

Current Liabilities:

Current maturities of long-term debt - Note 3	9,958
Accounts payable	24,015
Payroll payable	6,068
Customer meter deposits	36,523
Total current liabilities	<u>76,564</u>

Long-Term Debt, less current maturities - Note 3

Promissory Note - Freida Blevins	10,809
Total long-term debt, less current maturities	<u>10,809</u>

Total Liabilities	<u>87,373</u>
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NET POSITION

Invested in capital assets net of related debt	285,680
Member benefit units	17,682
Unrestricted	194,057
Total net position	<u>\$ 497,419</u>

The accompanying notes are an integral part of the financial statements

WATER IMPROVEMENT DISTRICT NO. 14
STATEMENT OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2018

Operating Revenues:

Water revenue	\$ 321,671
Late charges, fees and miscellaneous	17,945
Total operating revenues	339,616

Operating Expenses:

Water purchased	196,508
Salaries & payroll taxes	60,425
Water system and maintenance	16,873
Telephone	2,896
Office supplies and postage	1,302
Contract labor - office	19,541
Insurance	5,154
Legal and accounting	2,700
Office utilities	1,388
Subscriptions	2,111
Miscellaneous	1,808
Depreciation	15,179
Total operating expenses	325,885

Operating Income (Loss)	13,731
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Non-Operating Revenues (Expenses):

Interest revenue	487
Interest expense	(696)
Total non-operating revenues (expenses)	(209)

Changes in Net Position	13,522
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Total Net Position, beginning of period	483,897
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Total Net Position, end of period	\$ 497,419
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The accompanying notes are an integral part of the financial statement

**WATER IMPROVEMENT DISTRICT NO. 14
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2018**

Cash Flows from Operating Activities:	
Cash received from customers	\$ 349,326
Cash paid to suppliers	(245,777)
Cash paid to employees	(60,425)
Net cash flows from operating activities	<u>43,124</u>
Cash Flows from Investing Activities:	
Interest income	487
Purchase of fixed assets	(1,976)
Net cash flows from investing activities	<u>(1,489)</u>
Cash Flows from Financing Activities:	
Interest paid on promissory note	(696)
Principal paid on promissory note	(9,788)
Net cash flows from financing activities	<u>(10,484)</u>
Net increase (decrease) in cash and cash equivalents	31,151
Cash and cash equivalents, beginning of period	<u>176,678</u>
Cash and cash equivalents, end of period	<u>\$ 207,829</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 13,731
Add depreciation expense	15,179
(Increase)/Decrease in Current Assets	
Prepaid Insurance	152
Accounts receivable, net	7,617
Increase/(Decrease) in Current Liabilities	
Payroll payable	-
Accounts payable	4,352
Customer meter deposits	2,093
Net cash flows from operating activities	<u>\$ 43,124</u>

The accompanying notes are an integral part of the financial statements

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2018**

Note 1 – Summary of significant accounting policies

Reporting Entity

Water Improvement District No. 14, Tulsa County, Oklahoma 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

All accounts greater than thirty days are considered past due. Receivables greater than ninety days are carried at the original billed amount.

The accounts receivable amount was computed as follows:

	<u>2018</u>
0-59 days	\$ 31,751
60-89 days	929
90+ days	<u>647</u>
Total accounts receivable	<u><u>\$ 33,327</u></u>

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
DECEMBER 31, 2018**

Note 1 – Summary of significant accounting policies – cont’d

Inventory

The District places a minimal value on its inventory for financial statement purposes; consequently, materials, supplies and replacement parts are not included as assets, and the cost of these items has been charged against income as water system maintenance expense at the time of purchase. Expenditures for major renewals and betterments which extend the useful lives of property and equipment are capitalized and depreciated.

Property, Equipment and Depreciation

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 25-40-year life. Water system improvements constructed by the District 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. Buildings and office furniture/equipment are depreciated using a 40 year life and 5-10-year life, respectively.

Assets Whose Use Is Limited

Customer meter deposits are held in a separate cash account and are restricted to being refunded to the customer when service terminates or applied against any outstanding billing.

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. A following is a breakdown of cash:

Operating account	\$105,098
Security Deposit account	31,016
Certificates of Deposit	104,652
Cash on hand	1,493
Total cash	<u>\$242,259</u>

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2018**

Note 1 – Summary of significant accounting policies – cont’d

Custodial Credit Risk

At December 31, 2018, the District held deposits of approximately \$240,766 at financial institutions. The District’s cash deposits are entirely covered by Federal Depository Insurance.

Accumulated Unpaid Vacation and Sick Pay

At December 31, 2018, no determination of the aggregate dollar value of vacation and sick pay had been made.

Note 2 – Organization

Water Improvement District No. 14, Tulsa County, Oklahoma, was organized under Title 82, Oklahoma Statutes Annotated, Section 1301-1322, on October 23, 1945 and approved by the Tulsa County Board of Commissioners on November 19, 1945. Its purpose is to provide adequate rural water supply within its district. The District is organized as a non-profit organization and is not subject to Federal and Oklahoma income taxes. Members of the District are entitled to benefit units which entitle them to a legal right to one service connection to the District’s facilities and to participate in the affairs of the District.

Note 3 – Long-Term Debt

The following is a summary of the long-term debt transactions of the District for the year ended December 31, 2018:

	<u>Notes Payable</u>
Balance 1/01/2018	\$ 30,555
Additions	-
Retirements	<u>(9,788)</u>
Balance 12/31/2018	<u>\$ 20,767</u>

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2018**

Note 3 – Long-Term Debt – cont’d

Long-term debt at December 31, 2018, is detailed as follows:

Promissory Note, dated January 29, 1999 for \$112,500 payable to Oklahoma Department of Commerce, 0.00% interest, monthly payments of \$468.75 beginning January 1, 2000 maturing December 1, 2019.	\$ 5,625
Promissory Note, dated May 14, 2012 in the amount of \$40,000 for real property, payable to Freida Blevins, 4.00% interest, monthly payments of \$404.98 beginning June 14, 2012 maturing May 14, 2022.	15,142
	\$ 20,767

The annual debt service requirements for the retirement of principal and interest payments are as follows:

Year- ending Dec.	Principal	Interest	Total
2019	\$ 9,958	527	10,485
2020	4,509	350	10,485
2021	4,693	167	4,859
2022	1,607	13	1,620
Total	\$ 20,767	1,057	27,449

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2018**

Note 4 – Risk Management

Water Improvement District No. 14, Tulsa County, 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 District 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 5 – Capital Assets

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

	<u>Balance</u> <u>December</u> <u>31, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December</u> <u>31, 2018</u>
Water System & Equipment	\$ 643,403	-	-	643,403
Building and Contents	61,573	1,976	-	63,549
Less accumulated depreciation	<u>(385,326)</u>	<u>(15,179)</u>	<u> </u>	<u>(400,505)</u>
Net	<u>\$ 319,650</u>	<u>(13,203)</u>	<u> </u>	<u>306,447</u>

Note 6 - 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.

Note 7 – Members Benefit Units

Members benefit units were paid for by assessing individual lots based upon an appraisal in 1947. Assessments collected totaled \$17,682, which is reflected as members benefit units on the balance sheet.