

AUDIT REPORT
WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
FOR YEAR ENDED DECEMBER 31, 2015



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
DECEMBER 31, 2015**

TABLE OF CONTENTS

	<u>PAGE</u>
Table of Contents	1
Board of Directors	2
Independent Auditor's Report	3-4
Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	5-6
Schedule of Findings	7
COMBINED FINANCIAL STATEMENTS:	
Statement of Net Assets	8
Statement of Revenues, Expenses and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to Financial Statements	11-15

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
DECEMBER 31, 2015**

BOARD OF DIRECTORS

Chairman	Ron Doss
Clerk	Sharon Todd
Member	John Grayson

BOOKKEEPER

Sharon Todd



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Water Improvement District No. 14
Tulsa County, Oklahoma 74063

We have audited the accompanying financial statements of the business-type activities of Water Improvement District No. 14, Tulsa County, as of and for the year ended December 31, 2015, 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 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 District 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

Water Improvement District No. 14, Tulsa County, 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 February 19, 2016, 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, P.C.

February 19, 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 Directors
Water Improvement District No. 14
Tulsa County, Oklahoma 74063

We have audited the financial statements of the business-type activities of Water Improvement District No. 14 as of and for the year ended December 31, 2015, and have issued our report thereon, dated February 19, 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 District'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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings.

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.

February 19, 2016

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
STATEMENT OF NET ASSETS
FOR YEAR ENDED DECEMBER 31, 2015**

ASSETS

Current assets:	
Cash in bank and on hand	\$ 144,176
Accounts receivable, net	25,209
Inventory	300
Prepaid insurance	2,788
Total current assets	<u>172,473</u>
Noncurrent assets:	
Cash - customer meter deposits	33,440
Capital Assets:	
Building & contents	61,574
Water system	643,402
Less: accumulated depreciation	<u>(353,420)</u>
Total noncurrent assets	<u>384,996</u>
Total Assets	<u>557,469</u>

LIABILITIES

Current Liabilities:	
Current maturities of long-term debt - Note 3	9,468
Accounts payable	23,127
Payroll payable	5,008
Customer meter deposits	33,440
Total current liabilities	<u>71,043</u>
Long-Term Debt, less current maturities - Note 3	
Oklahoma Department of Commerce	16,875
Promissory Note - Freida Blevins	23,306
Total long-term debt, less current maturities	<u>40,181</u>
Total Liabilities	<u>111,224</u>

NET ASSETS

Invested in capital assets net of related debt	301,907
Member benefit units	17,682
Unrestricted	126,656
Total net assets	<u>\$ 446,245</u>

The accompanying notes are an integral part of the financial statements

**WATER IMPROVEMENT DISTRICT NO. 14
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR YEAR ENDED DECEMBER 31, 2015**

Operating Revenues:	
Water revenue	\$ 274,686
Late charges, fees and miscellaneous	14,905
Total operating revenues	289,591
 Operating Expenses:	
Water purchased	228,827
Salaries & payroll taxes	58,641
Water system and maintenance	14,440
Telephone	848
Office supplies and postage	4,635
Contract labor - office	2,876
Insurance	4,384
Legal and accounting	2,300
Collection expense	1,440
Office utilities	2,358
Subscriptions	920
Miscellaneous	71
Depreciation	16,927
Total operating expenses	338,667
Operating Income (Loss)	(49,076)
 Non-Operating Revenues (Expenses):	
Interest revenue	392
Interest expense	(865)
Total non-operating revenues (expenses)	(473)
Changes in Net Assets	(49,549)
Total Net Assets, beginning of period	495,794
Total Net Assets, end of period	\$ 446,245

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, 2015**

Cash Flows from Operating Activities:	
Cash received from customers	\$ 294,355
Cash paid to suppliers	(264,020)
Cash paid to employees	(58,761)
Net cash flows from operating activities	(28,426)
 Cash Flows from Investing Activities:	
Interest income	392
Net cash flows from investing activities	392
 Cash Flows from Financing Activities:	
Interest paid on promissory note	(865)
Principal paid on promissory note	(9,620)
Net cash flows from financing activities	(10,485)
Net increase (decrease) in cash and cash equivalents	(38,519)
Cash and cash equivalents, beginning of period	216,135
Cash and cash equivalents, end of period	\$ 177,616
 Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (49,076)
Add depreciation expense	16,927
(Increase)/Decrease in Current Assets	
Prepaid Insurance	(1,184)
Accounts receivable, net	(391)
Increase/(Decrease) in Current Liabilities	
Payroll payable	(120)
Accounts payable	263
Customer meter deposits	5,155
Net cash flows from operating activities	\$ (28,426)

The accompanying notes are an integral part of the financial statements

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2015**

Findings – Financial Statement Audit

There were no findings.

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2015**

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:

	2015
0-59 days	\$ 24,581
60-89 days	192
90+ days	436
Total accounts receivable	\$ 25,209

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2015**

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	\$ 45,196
Security Deposit account	28,486
Certificates of Deposit	103,598
Cash on hand	336
Total cash	<u>\$177,616</u>

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2015**

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

Custodial Credit Risk

At December 31, 2015, the District held deposits of approximately \$177,280 at financial institutions. The District’s cash deposits are entirely covered by Federal Depository Insurance.

Accumulated Unpaid Vacation and Sick Pay

At December 31, 2015, 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, 2015:

	<u>Notes Payable</u>
Balance 1/01/2015	\$ 59,269
Additions	-
Retirements	<u>(9,620)</u>
Balance 12/31/2015	<u>\$ 49,649</u>

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2015**

Note 3 – Long-Term Debt – cont’d

Long-term debt at December 31, 2015, 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.	\$ 22,500
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.	<u>27,149</u>
	<u><u>\$ 49,649</u></u>

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

Year- ending Dec.	Principal	Interest	Total
2016	\$ 9,469	1,016	10,485
2017	9,625	859	10,484
2018	9,788	696	10,484
2019	9,958	527	10,485
2020	4,509	350	4,859
2021-2025	6,300	180	6,480
Total	\$ 49,649	3,628	53,277

**WATER IMPROVEMENT DISTRICT NO. 14
TULSA COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2015**

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, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December</u> <u>31, 2015</u>
Water System & Equipment	\$ 643,402	-	-	643,402
Building and Contents	61,574	-	-	61,574
Less accumulated depreciation	336,493	16,927	-	353,420
Net	<u>\$ 368,483</u>	<u>(16,927)</u>	<u>-</u>	<u>351,556</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.