

**AUDIT REPORT**  
**WATER IMPROVEMENT DISTRICT NO. 14**  
**TULSA COUNTY, OKLAHOMA**  
**FOR YEAR ENDED DECEMBER 31, 2013**

**Audited by**

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

**WATER IMPROVEMENT DISTRICT NO. 14  
TULSA COUNTY, OKLAHOMA  
DECEMBER 31, 2013**

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**WATER IMPROVEMENT DISTRICT NO. 14  
TULSA COUNTY, OKLAHOMA  
DECEMBER 31, 2013**

**BOARD OF DIRECTORS**

Chairman	Thomas D. Baker
Clerk	Sharon Todd
Member	W.L. Blevins

**BOOKKEEPER**

Sharon Todd



**Jack H. Jenkins, CPA** *A Professional Corporation*

## INDEPENDENT AUDITOR'S REPORT

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

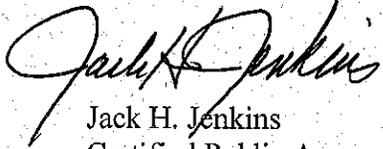
I have audited the accompanying financial statements of the business-type activities of the Water Improvement District No. 14, Tulsa County, Oklahoma, as of and for the year ended December 31, 2013, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audits.

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. Those standards require that I plan and perform the audit 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 audit provides 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 Water Improvement District No. 14, Tulsa County, Oklahoma, as of December 31, 2013, and the respective changes in financial position and cash flows for the year 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 District'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 April 15, 2014, on my consideration of the District'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.

April 15, 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  
Water Improvement District No. 14  
Tulsa County, Oklahoma 74063

I have audited the financial statements of the Water Improvement District No. 14, Tulsa County, Oklahoma, as of and for the year ended December 31, 2013, and have issued my report thereon dated April 15, 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 District'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 District's internal control over financial reporting. Accordingly, I 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 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.

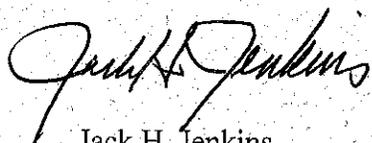
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, 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 District'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.

April 15, 2014

**WATER IMPROVEMENT DISTRICT NO. 14  
TULSA COUNTY, OKLAHOMA  
DECEMBER 31, 2013**

**Findings – Financial Statement Audit**

There were no material findings.

**WATER IMPROVEMENT DISTRICT NO. 14  
TULSA COUNTY, OKLAHOMA  
STATEMENT OF NET ASSETS  
FOR YEAR ENDED DECEMBER 31, 2013**

ASSETS

Current assets:

Cash on hand and in banks	\$ 199,788
Accounts receivable, net	30,660
Inventory	300
Prepaid insurance	1,453
Total current assets	232,201

Noncurrent assets:

Cash - Customer meter deposits	29,950
Capital Assets:	
Building & contents	61,574
Water system	643,402
Less: accumulated depreciation	(319,441)
Total noncurrent assets	415,485

Total Assets	647,686
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LIABILITIES

Current Liabilities:

Current maturities of long-term debt - Note 3	9,162
Accounts payable	18,844
Payroll payable	4,104
Total current liabilities	32,110

Long-Term Debt, less current maturities - Note 3

Oklahoma Department of Commerce	28,125
Promissory Note - Freida Blevins	31,144
Customer meter deposits	26,530
Total long-term debt, less current maturities	85,799

Total Liabilities	117,909
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NET ASSETS

Invested in capital assets net of related debt	290,574
Member benefit units	17,682
Unrestricted	221,521
Total net assets	\$ 529,777

The accompanying notes are an integral part of the financial statements

**WATER IMPROVEMENT DISTRICT NO. 14  
TULSA COUNTY, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR YEAR ENDED DECEMBER 31, 2013**

**Operating Revenues:**

Water revenue	\$ 279,920
Late charges, fees and miscellaneous	14,282
Total operating revenues	<u>294,202</u>

**Operating Expenses:**

Water purchased	164,185
Salaries & payroll taxes	60,018
Water system and maintenance	39,273
Telephone	1,810
Office supplies and postage	5,209
Contract labor - office	14,543
Insurance	6,645
Legal and accounting	4,100
Collection expense	1,860
Office utilities	1,356
Subscriptions	791
Miscellaneous	596
Depreciation	17,051
Total operating expenses	<u>317,437</u>

Operating Income (Loss) (23,235)

**Non-Operating Revenues (Expenses):**

Interest revenue	626
Interest expense	(2,208)
Total non-operating revenues (expenses)	<u>(1,582)</u>

Changes in Net Assets (24,817)

Total Net Assets, beginning of period 554,594

Total Net Assets, end of period \$ 529,777

The accompanying notes are an integral part of the financial statement

**WATER IMPROVEMENT DISTRICT NO. 14  
TULSA COUNTY, OKLAHOMA  
STATEMENT OF CASH FLOWS  
FOR YEAR ENDED DECEMBER 31, 2013**

<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 289,612
Cash paid to suppliers	(243,947)
Cash paid to employees	(56,633)
Net cash flows from operating activities	<u>(10,968)</u>
 <b>Cash Flows from Investing Activities:</b>	
Interest income	<u>626</u>
Net cash flows from investing activities	<u>626</u>
 <b>Cash Flows from Financing Activities:</b>	
Interest paid on promissory note	(2,208)
Principal paid on promissory note	(8,276)
Net cash flows from financing activities	<u>(10,484)</u>
 Net increase (decrease) in cash and cash equivalents	 (20,826)
 Cash and cash equivalents, beginning of period	 <u>250,564</u>
 Cash and cash equivalents, end of period	 <u>\$ 229,738</u>
 <b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$ (23,235)
Add depreciation expense	17,051
(Increase)/Decrease in Current Assets	
Prepaid Insurance	542
Accounts receivable, net	(2,480)
Increase/(Decrease) in Current Liabilities	
Accounts payable	(736)
Customer meter deposits	(2,110)
Net cash flows from operating activities	<u>\$ (10,968)</u>

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, 2013**

**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:

	2013
0-59 days	\$ 24,573
60-89 days	745
90+ days	5,342
Total cash	\$ 30,660

**WATER IMPROVEMENT DISTRICT NO. 14  
TULSA COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED DECEMBER 31, 2013**

**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	\$ 75,971
Security Deposit account	24,950
Certificates of Deposit	128,159
Cash on hand	658
Total cash	<u>\$229,738</u>

**WATER IMPROVEMENT DISTRICT NO. 14  
TULSA COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED DECEMBER 31, 2013**

**Note 1 – Summary of significant accounting policies – cont'd**

**Custodial Credit Risk**

At December 31, 2013, the District held deposits of approximately \$229,080 at financial institutions. The District's cash deposits are entirely covered by Federal Depository Insurance.

**Accumulated Unpaid Vacation and Sick Pay**

At December 31, 2013, 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, 2013:

	<u>Notes Payable</u>
Balance 1/01/2013	\$ 76,707
Additions	-
Retirements	<u>(8,276)</u>
Balance 12/31/2013	<u>\$ 68,431</u>

**WATER IMPROVEMENT DISTRICT NO. 14  
TULSA COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED DECEMBER 31, 2013**

**Note 3 – Long-Term Debt – cont’d**

Long-term debt at December 31, 2013, 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.	\$ 33,750
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>34,681</u>
	<u><u>\$ 68,431</u></u>

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

Year-ending	Principal	Interest	Total
Dec. 31			
2014	\$ 9,162	1,323	10,485
2015	9,306	1,179	10,485
2016	9,456	1,029	10,485
2017	9,612	873	10,485
2018	9,775	710	10,485
Thereafter	21,120	1,109	22,229
Total	<u>\$ 68,431</u>	<u>6,223</u>	<u>74,654</u>

**WATER IMPROVEMENT DISTRICT NO. 14  
TULSA COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED DECEMBER 31, 2013**

**Note 4 – Risk Management**

Creek County Rural Water District No. 5 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, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December</u> <u>31, 2013</u>
Water System & Equipment	\$ 643,402	-	-	643,402
Building and Contents	61,574	-	-	61,574
Less accumulated depreciation	302,390	17,051		319,441
Net	<u>\$ 402,586</u>	<u>(17,051)</u>	<u>-</u>	<u>385,535</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.