

AUDIT REPORT
TANEHA UTILITIES AUTHORITY
OAKHURST, OKLAHOMA
FOR THE YEAR ENDED DECEMBER 31, 2023



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

**TANEHA UTILITIES AUTHORITY
OAKHURST, OKLAHOMA
DECEMBER 31, 2023**

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**TANEHA UTILITIES AUTHORITY
OAKHURST, OKLAHOMA
DECEMBER 31, 2023**

BOARD OF TRUSTEES

Chairman	Steve Redfearn
Vice-Chairman	Tom Davis
Treasurer	Cherie Blakley
Member	Kevin Tunnell
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
Oakhurst, OK 74050-0576

Opinions

We have audited the accompanying financial statements of the business-type activities of Taneha Utilities Authority (the Authority), Oakhurst, Oklahoma, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Substantial Doubt about the Authority's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that Taneha Utilities Authority will continue as a going concern. As discussed in Notes 8 and 9 to the financial statements, the Authority entered into a legal settlement requiring the appointment of a receiver to manage the Authority and negotiate the terms for acquisition by City of Sapulpa. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Notes 8 and 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 19, 2024, 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 effectiveness of the Authority's 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 19, 2024



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
Oakhurst, Oklahoma 74050-0576

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, 2023, 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 19, 2024. 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.

Report on 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.

Report on 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 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 19, 2024

**TANEHA UTILITIES AUTHORITY
SCHEDULE OF AUDIT RESULTS
DECEMBER 31, 2023**

Findings – Financial Statement Audit

There were no reportable conditions in the current year.

**TANEHA UTILITIES AUTHORITY
STATEMENT OF NET POSITION
FOR YEAR ENDED DECEMBER 31, 2023**

ASSETS

Current assets:

Cash in bank	\$ 388,488
Prepaid Insurance	3,163
Undeposited Funds	1,300
Accounts receivable	278,556
Total current assets	<u>671,507</u>

Noncurrent assets:

Capital Assets:	
Utility plant	3,993,402
Less: accumulated depreciation	<u>(2,383,883)</u>
Total noncurrent assets	<u>1,609,519</u>

Total Assets	<u>2,281,026</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>58,926</u>
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Noncurrent liabilities

Settlement agreement payable (Note 8)	<u>617,673</u>
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Total Liabilities	<u>676,599</u>
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NET POSITION

Invested in capital assets, net of related debt	1,609,519
Unrestricted	<u>(5,092)</u>
Total net position	<u><u>\$ 1,604,427</u></u>

The accompanying notes are an integral part of the financial statements

TANEHA UTILITIES AUTHORITY
STATEMENT OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2023

Operating Revenues:

Sewer user fees	\$ 1,013,112
Tap sales	2,600
Other income	1,133
Total operating revenues	<u>1,016,845</u>

Operating Expenses:

Treatment expense	420,739
Utilities	30,393
Management Fees	48,600
Maintenance	179,173
Engineering	2,719
Professional fees	46,831
Miscellaneous	13,306
Collection fees	16,054
Insurance	7,508
Depreciation	53,292
Total operating expenses	<u>818,615</u>

Operating income (loss)	198,230
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Non-Operating Revenues (Expenses):

Interest income	572
Total non-operating revenues (expenses)	<u>572</u>

Changes in net position	198,802
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Total net position, beginning of period	<u>1,405,625</u>
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Total net position, end of period	<u><u>\$ 1,604,427</u></u>
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The accompanying notes are an integral part of the financial statements

**TANEHA UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2023**

Cash Flows from Operating Activities:

Cash received from customers	\$ 954,817
Cash paid to suppliers	(750,584)
Net cash flows from operating activities	<u>204,233</u>

Cash Flows from Investing Activities:

Plant improvements	(120,000)
Receipt of interest	572
Net cash flows from investing activities	<u>(119,428)</u>

Net increase (decrease) in cash and cash equivalents 84,805

Cash and cash equivalents, beginning of period 303,683

Cash and cash equivalents, end of period \$ 388,488

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income (loss)	\$ 198,230
Add depreciation expense	53,292
(Increase)/Decrease in Current Assets	
Accounts receivable, net	(62,028)
Prepaid insurance	(1,383)
Increase/(Decrease) in Current Liabilities	
Accounts payable	16,122
Net cash flows from operating activities	<u><u>\$ 204,233</u></u>

The accompanying notes are an integral part of the financial statements

**TANEHA UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 1 – Organization

Taneha Utilities Authority, Oakhurst, Oklahoma, is recognized as a public Trust Authority under Oklahoma Statutes, Title 60. 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, 2023 were \$278,555.87. 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>2023</u>
1-30 Days	<u>278,556</u>

**TANEHA UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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, 2023, the Authority held deposits of approximately \$388,488 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, 2023, 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 THE YEAR ENDED DECEMBER 31, 2023**

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 District paid off its only long-term debt during the 2022 year and did not report any long-term debt as of December 31, 2023.

Note 7 – Capital Assets

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

Balance December 31, 2022	Additions	Deletions	Balance December 31, 2023
\$ 3,873,402	120,000		3,993,402
(2,330,591)		(53,292)	(2,383,883)
<u>\$ 1,542,811</u>	<u>120,000</u>	<u>(53,292)</u>	<u>1,609,519</u>

Note 8 – Settlement Agreement

On July 13, 2022, Taneha Utilities Authority entered into a settlement agreement with the City of Sapulpa for amounts due the City of Sapulpa under a sewage treatment contract totaling \$617,673.44. The settlement also included the court appointment of a receiver to oversee Taneha Utilities Authority operations. The receiver is currently operating the system, working to refurbish sections of the infrastructure, and negotiating with the City of Sapulpa to take over operation and/or ownership.

**TANEHA UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 9 – 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 has determined that the following information should be disclosed:

As part of the settlement agreement, the Authority is currently renovating and repairing the system and in negotiations with the City of Sapulpa to take over the system to continue providing sewer services to the Authority's customers. Management estimates this transfer is likely to occur during the 2024 calendar year.