

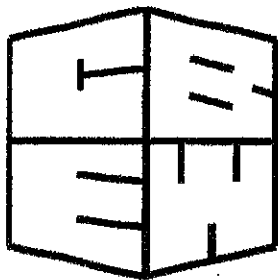
**RURAL WATER AND SEWER DISTRICT NO. 4  
LINCOLN COUNTY  
Agra, Oklahoma**

**BASIC FINANCIAL STATEMENTS  
June 30, 2024**

**RURAL WATER AND SEWER DISTRICT #4  
LINCOLN COUNTY  
Agra, Oklahoma**

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## **CBEW Professional Group, LLP**

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### **INDEPENDENT AUDITOR'S REPORT**

July 29, 2024

Board of Directors  
Rural Water and Sewer District No. 4  
Lincoln County  
Agra, Oklahoma

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities of Rural Water and Sewer District No. 4, Lincoln County, Agra, Oklahoma (the District), as of and for the years ended June 30, 2024 and 2023, and the related notes to the 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 financial position-modified cash basis of the business-type activities of the Rural Water and Sewer District No. 4, Lincoln County, Agra, Oklahoma as of June 30, 2024 and 2023, and the changes in financial position-modified cash basis and cash flows-modified cash basis, thereof for the years then ended in accordance with the basis of accounting as described in Note 1.

#### ***Basis for Opinions***

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. 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 District 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.

#### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances; 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 District'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 and *Government 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 and *Government 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 District'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 District'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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2024, on our consideration of the Rural Water and Sewer District No. 4's internal control over financial reporting and on 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 results of that testing, and not to provide an opinion on the effectiveness of the District'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 Rural Water and Sewer District No. 4's internal control over financial reporting and compliance.

***CBEW Professional Group, LLP***

CBEW Professional Group, LLP  
Certified Public Accountants  
Cushing, Oklahoma

**RURAL WATER AND SEWER DISTRICT NO. 4  
LINCOLN COUNTY  
Agra, Oklahoma**

**STATEMENT OF NET POSITION  
MODIFIED CASH BASIS  
June 30, 2024 and 2023**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<b>Current assets:</b>		
Cash and cash equivalents (Note 1)	\$ 608,496	\$ 486,963
Investments	20,164	-
Temporarily restricted:		
Cash and cash equivalents (Note 2)	63,961	45,671
<b>Total current assets</b>	<u>692,621</u>	<u>532,634</u>
<b>Capital assets:</b>		
Land	72,441	72,441
Construction in progress	-	-
Water system, equipment and vehicles net of depreciation (Note 4)	3,738,576	3,638,864
<b>Total capital assets</b>	<u>3,811,017</u>	<u>3,711,305</u>
<b>Other assets:</b>		
Leased assets	142,182	64,373
<b>Total other assets</b>	<u>142,182</u>	<u>64,373</u>
<b>Total assets</b>	<u>4,645,820</u>	<u>4,308,312</u>
<b>Current liabilities:</b>		
Customer meter deposits	-	-
Current portion of leases payable (Note 3)	13,405	5,978
Current portion of notes payable (Note 3)	39,235	38,556
<b>Total current liabilities</b>	<u>52,640</u>	<u>44,534</u>
<b>Long-term liabilities:</b>		
Leases payable (Note 3)	102,305	46,325
Notes payable (Note 3)	1,994,286	2,033,471
<b>Total long-term liabilities</b>	<u>2,096,591</u>	<u>2,079,796</u>
<b>Total liabilities</b>	<u>2,149,231</u>	<u>2,124,330</u>
<b>Net position:</b>		
Net investment in capital assets	1,777,496	1,639,278
Temporarily restricted (Note 2)	63,961	45,671
Unrestricted	655,132	499,033
<b>Total net position</b>	<u>\$ 2,496,589</u>	<u>\$ 2,183,982</u>

The accompanying notes are an integral part of the basic financial statements.

**RURAL WATER AND SEWER DISTRICT NO. 4  
LINCOLN COUNTY  
Agra, Oklahoma**

**STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
For the Years Ended June 30, 2024 and 2023**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<b>Revenues:</b>		
Water revenue	\$ 717,834	\$ 734,981
Sewer revenue	44,801	45,571
Late penalties	35,136	29,771
Other income	92,206	192,489
<b>Total revenues</b>	<u>889,977</u>	<u>1,002,812</u>
<b>Expenses:</b>		
Advertising	1,066	1,498
Bookkeeping and computer expense	15,352	15,231
Chemicals	10,021	7,796
Contract services	1,629	994
Depreciation	158,072	152,200
Donations	-	175
Employee benefits	52,645	55,787
Fees and dues	-	-
Franchise tax	2,787	4,236
Fuel	19,003	23,940
Insurance	32,038	31,845
Lab tests	10,514	7,677
Legal and accounting	23,276	60,450
Meetings and training	10,794	7,569
Miscellaneous	3,809	2,556
Office supplies and postage	7,233	6,275
Operating supplies	79,149	141,386
Payroll taxes	21,811	20,990
Rent/lease expense	1,240	9,718
Repairs and maintenance	27,249	101,925
Utilities and telephone	30,440	30,981
Wages	239,798	218,441
Water purchases	220,711	240,789
<b>Total expenses</b>	<u>968,637</u>	<u>1,142,459</u>
<b>Operating income</b>	<u>(78,660)</u>	<u>(139,647)</u>
<b>Other income and expense:</b>		
Capital improvement income	214,787	219,343
Intergovernmental revenue	205,429	262,515
Gain on disposition of asset	-	-
System development fee	-	52,393
Loan issue costs	-	-
Interest income	9,891	3,444
Interest expense	(38,840)	(38,253)
<b>Total other income and expense</b>	<u>391,267</u>	<u>499,442</u>
<b>Change in net position - net income (loss)</b>	312,607	359,795
<b>Net position - beginning of year</b>	<u>2,183,982</u>	<u>1,824,187</u>
<b>Net position - end of year</b>	<u>\$ 2,496,589</u>	<u>\$ 2,183,982</u>

The accompanying notes are an integral part of the basic financial statements.

**RURAL WATER AND SEWER DISTRICT NO. 4  
LINCOLN COUNTY  
Agra, Oklahoma**

**STATEMENT OF CHANGES IN NET POSITION  
MODIFIED CASH BASIS  
For the Years Ended June 30, 2024 and 2023**

	<b>Net Position (Unrestricted)</b>	<b>Net Position (Temporarily Restricted)</b>	<b>Total Net Position</b>
<b>Balance - beginning of year 6-30-23</b>	\$ 2,138,311	\$ 45,671	\$ 2,183,982
Change in net position	<u>294,317</u>	<u>18,290</u>	<u>312,607</u>
<b>Balance - end of year 6-30-24</b>	<u><u>\$ 2,432,628</u></u>	<u><u>\$ 63,961</u></u>	<u><u>\$ 2,496,589</u></u>
 <b>Balance - beginning of year 6-30-22</b>	 \$ 1,798,301	 \$ 25,886	 \$ 1,824,187
Change in net position	<u>340,010</u>	<u>19,785</u>	<u>359,795</u>
<b>Balance - end of year 6-30-23</b>	<u><u>\$ 2,138,311</u></u>	<u><u>\$ 45,671</u></u>	<u><u>\$ 2,183,982</u></u>

The accompanying notes are an integral part of the basic financial statements.

**RURAL WATER AND SEWER DISTRICT NO. 4  
LINCOLN COUNTY  
Agra, Oklahoma**

**STATEMENT OF CASH FLOWS  
MODIFIED CASH BASIS  
For the Years Ended June 30, 2024 and 2023**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 889,977	\$ 1,002,812
Cash payments to suppliers	(570,767)	(772,919)
Cash payments to employees	(239,798)	(218,440)
<b>Net cash provided by operating activities</b>	<u>79,412</u>	<u>11,453</u>
<b>Cash flows from capital and related financing activities:</b>		
Intergovernmental revenue	205,429	262,515
System development and capital improvement fees	214,787	271,736
Acquisition & construction of capital assets	(335,593)	(357,028)
Principal paid on debt	(52,908)	(43,695)
Proceeds received from notes & leases	77,809	-
Interest paid on debt	(38,840)	(38,253)
<b>Net cash used in capital and related financing activities</b>	<u>70,684</u>	<u>95,275</u>
<b>Cash flows from investing activities:</b>		
(Purchase) liquidation of investments	(20,164)	-
Interest income	9,891	3,444
<b>Net cash provided by investing activities</b>	<u>(10,273)</u>	<u>3,444</u>
<b>Net increase (decrease) in cash</b>	139,823	110,172
<b>Cash and cash equivalents at beginning of year</b>	<u>532,634</u>	<u>422,462</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 672,457</u>	<u>\$ 532,634</u>
<b>Reconciliation of operation income to net cash provided by operating activities:</b>		
Operating income (loss)	\$ (78,660)	\$ (139,647)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	158,072	152,200
Changes in assets and liabilities:		
Increase (decrease) in meter deposits	-	(1,100)
<b>Total adjustments</b>	<u>158,072</u>	<u>151,100</u>
<b>Net cash provided by operating activities</b>	<u>\$ 79,412</u>	<u>\$ 11,453</u>

The accompanying notes are an integral part of the basic financial statements.



**RURAL WATER AND SEWER DISTRICT NO. 4  
LINCOLN COUNTY  
Agra, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2024 and 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Rural Water and Sewer District No. 4, Lincoln County, Oklahoma (the District), was created under the provisions of Title 82, O.S. 1981, Sections 1324.1-1324.26 inclusive, for the purpose of providing water and sewer to the members it serves. Membership in the district consists of users who have paid the required membership and connection fees. The District is exempt from federal and state income taxes.

The District is a governed entity administered by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board is comprised of 7 elected members. The vacant Board seats are elected at the annual meeting, and following, the Board of Directors meet and elect a chairman, vice-chairman, secretary and treasurer.

The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

Rural Water and Sewer District No. 4 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 (expenses, including depreciation) of providing water and sewer services is financed through user charges. The District purchases water from Lone Chimney Water Association and Chandler Municipal. The District currently has 4 water wells.

**B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting**

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted 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 statement of net position. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) 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 modified cash basis of accounting. Under this method, revenues are recorded when received and expenditures are recorded when paid.

**C. Assets, Liabilities and Equity**

**1. Deposits and Investments**

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Bank deposits are held at multiple financial institution and are carried at cost. For purposes of statements of cash flows, the District considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**RURAL WATER AND SEWER DISTRICT NO. 4  
LINCOLN COUNTY  
Agra, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2024 and 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities and Equity (Continued)**

**1. Deposits and Investments (Continued)**

*Custodial Credit Risk*

At June 30, 2024 and 2023, the District held deposits of approximately \$692,621 and \$532,634 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are usually covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name. The District was under collateralized by \$432,820 at June 30, 2024.

*Investment Interest Rate Risk*

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk*

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2024 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Money Market	N/A	AAAm	\$ 672,457	\$ 672,457
CDs			20,164	20,164
Total investments			<u>\$ 692,621</u>	<u>\$ 692,621</u>

**RURAL WATER AND SEWER DISTRICT NO. 4  
LINCOLN COUNTY  
Agra, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2024 and 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities and Equity (Continued)**

**1. Deposits and Investments (Continued)**

*Concentration of Investment Credit Risk*

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 97% in Money Market funds (\$672,457) and 3% in CDs (\$20,164).

**2. Fair Value of Financial Instruments**

The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**3. Estimates**

The preparation of financial statements on the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**4. Inventories**

Inventories consist primarily of water stored in lines for use in the distribution process. Inventory is expensed when purchased.

**5. Capital Assets**

Additions to the water storage delivery system and other equipment are recorded at cost or, if contributed property, at their estimated acquisition value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The District maintains a capitalization threshold of \$500 and an estimated useful life in excess of two (2) years.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Water and sewer system	40 years
Building and improvements	40 years
Equipment	10 years
Office equipment	10 years

**RURAL WATER AND SEWER DISTRICT NO. 4  
LINCOLN COUNTY  
Agra, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2024 and 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities and Equity (Continued)**

**6. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation time. Full-time employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure. The District has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

**7. Net Position**

In the basic financial statements, net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

**8. Resource Use Policy**

It is in the District's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including net positions, are available, the District considers unrestricted amounts to be spent first before any restricted amounts are used.

**D. Revenues, Expenses and Other Changes in Net Position**

**1. Operating Revenues and Expenses**

Operating revenues and expenses are principally from water, sewer sales and connection fees charged to new system subscribers. Customer water consumption is determined by monthly meter readings taken by District personnel. The water sales from subscriber water consumption received at the District's year-end are recognized as revenue in the current year. Operating expense consist of those costs necessary to operate and maintain the water distribution system and for general administration of the District.

**2. Non-Operating Revenue and Expenses**

Non-operating revenues and expenses consist of investment earnings, interest expense incurred on the District's notes payable and gains and losses on sales or the abandonment of long-lived assets.

**2. TEMPORARILY RESTRICTED ASSETS**

The restricted cash is the result of financial requirements of various note indentures between the District and the USDA Rural Development consist of funds held in reserve funds. Under the terms and provisions of the promissory note, the funds are temporarily restricted but with prior written approval from USDA Rural Development, the funds can also be used for making improvements to the water system or for debt service. Under the terms and provisions of the promissory note, these funds may be maintained so long as the notes are outstanding. A debt service reserve fund is established to deposit \$813.60 monthly until a balance of \$97,632 has been reached. This fund has a balance of \$26,080 at June 30, 2024. A short-lived asset fund is established to deposit \$10,834 annually for the life of the loan to pay for repairs and replacement of major system assets. This fund has a balance of \$37,881 at June 30, 2024.

**RURAL WATER AND SEWER DISTRICT NO. 4  
LINCOLN COUNTY  
Agra, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2024 and 2023**

**3. LONG-TERM DEBT**

Long-term debt consists of one note with USDA Rural Development and one lease with First Bank. The notes are secured by the water works system including distribution lines, pump stations, reservoirs and vehicles.

These notes are listed as follows:

USDA Rural Development Loan – Original amount of \$2,141,000, payable in monthly installments of \$6,209 including 1.75% interest.

First Bank Lease -- Original amount of \$64,373, payable in monthly installments of \$620 including 2.9% interest. The District has the right to purchase the asset at the end of the lease.

First Bank Lease – Original amount of \$77,809, payable in annual installments of \$9,800 including 3.75% interest. The District has the right to purchase the asset at the end of the lease.

The following is a summary of long-term debt transactions during the year:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Current Portion
USDA RD	\$ 2,072,027	\$ -	\$ 38,506	\$ 2,033,521	\$ 39,235
First Bank	52,303	77,809	14,402	115,710	13,405
Total	<u>\$ 2,124,330</u>	<u>\$ 77,809</u>	<u>\$ 52,908</u>	<u>\$ 2,149,231</u>	<u>\$ 52,640</u>

Annual cash requirements to amortize these notes are as follows:

Year Ending June 30,	Payments Due
2025	\$ 91,748
2026	125,568
2027	84,308
2028	131,016
2029	74,508
2030-2034	372,540
2035-2039	372,540
2040-2044	372,540
2045-2049	372,540
2050-2054	372,540
2055-2059	372,540
2060-2062	158,964
Total	2,901,352
Less interest	(752,121)
Note balance	<u>\$ 2,149,231</u>

**RURAL WATER AND SEWER DISTRICT NO. 4  
LINCOLN COUNTY  
Agra, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2024 and 2023**

**4. CAPTIAL ASSETS**

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

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Land	\$ 72,442	\$ -	\$ -	\$ 72,442
Construction in progress	-	-	-	-
Vehicles	123,102	52,259	41,620	133,741
Buildings and improvements	95,477	28,701	-	124,178
Water system	4,649,959	165,725	-	4,815,684
Sewer system	199,715	-	-	199,715
Meter installation	176,519	-	-	176,519
Office equipment	75,176	-	-	75,176
Machinery and equipment	284,888	11,100	1,500	294,488
Total	<u>5,677,278</u>	<u>257,785</u>	<u>43,120</u>	<u>5,891,943</u>
Less accumulated depreciation	1,965,973	158,072	43,120	2,080,925
Net	<u>\$ 3,711,305</u>	<u>\$ 99,713</u>	<u>\$ -</u>	<u>\$ 3,811,018</u>

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Land	\$ 72,442	\$ -	\$ -	\$ 72,442
Construction in progress	-	-	-	-
Vehicles	123,102	-	-	123,102
Buildings and improvements	95,477	-	-	95,477
Water system	4,428,640	221,319	-	4,649,959
Sewer system	199,715	-	-	199,715
Meter installation	136,523	39,996	-	176,519
Office equipment	75,176	-	-	75,176
Machinery and equipment	189,176	95,712	-	284,888
Total	<u>5,320,251</u>	<u>357,027</u>	<u>-</u>	<u>5,677,278</u>
Less accumulated depreciation	1,813,773	152,200	-	1,965,973
Net	<u>\$ 3,506,478</u>	<u>\$ 204,827</u>	<u>\$ -</u>	<u>\$ 3,711,305</u>

**5. RISK MANAGEMENT**

Rural Water and Sewer District No. 4 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.

**RURAL WATER AND SEWER DISTRICT NO. 4  
LINCOLN COUNTY  
Agra, Oklahoma**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2024 and 2023**

**6. WATER PURCHASE COMMITMENT**

The governing board of Rural Water and Sewer District No. 4, Lincoln County, Lincoln, Oklahoma, together with seven other cities and rural water districts located in Noble, Lincoln, and Payne Counties, Oklahoma, have jointly formed Lone Chimney Water Association. The purpose of the Association is to provide a water system for the benefit of its members and other users. The District has entered into various loan agreements with the United States Department of Agriculture, Rural Development and the Oklahoma Water Resources Board to provide financing for the facility. Under the terms of the agreement regarding Rural Water and Sewer District No. 4, each member has contracted to purchase a minimum amount of water from the Association during the 40-year term of the notes. In addition, each individual member is proportionately liable for any debts that exceed the assets of the Association to the extent of one and one-half times the percentage of ownership interest held by the entity pursuant to the agreement. The District is contingently liable for 8% of the obligations of the Association, which total approximately \$3,230,730 to the Bank of Oklahoma at the year-end. The District's contingent share of Lone Chimney Water Association's debt is \$258,458.

At June 30, 2024, Rural Water and Sewer District No. 4 was obligated to purchase a minimum of 17.28 million gallons of water annually, currently at a cost of \$117,504. The rates charged for the water can be adjusted every three years as necessary to provide sufficient revenues for the Association.

Future purchase commitments at current rates are as follows:

June 30,	Amounts Due
2025	\$ 117,504
2026	117,504
2027	117,504
2028	117,504
2029	117,504
2030-2034	587,520
2035	117,504
Total	\$ <u>1,292,544</u>

**7. RETIREMENT PLAN**

The District maintains a defined contribution retirement plan for its qualified employees. The District contributes 7% of the employee's gross wages to this plan. The amount contributed by the District during the year ended June 30, 2024 and 2023 was \$12,129 and \$11,495, respectively.

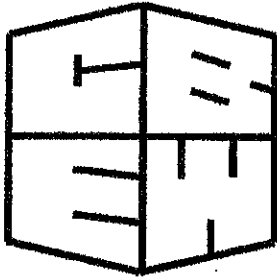
**8. RESTATEMENT OF NET POSITION**

Due to the change from GAAP to modified-cash basis, the 2023 beginning net position was decreased by \$89,905 for changes to prepaid insurance, accounts receivable and interest payable.

**RURAL WATER AND SEWER DISTRICT NO. 4  
LINCOLN COUNTY  
Agra, Oklahoma**

**REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*  
June 30, 2024**





## **CBEW Professional Group, LLP**

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### **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**

July 29, 2024

Board of Directors  
Rural Water and Sewer District No. 4  
Lincoln County  
Agra, Oklahoma

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 modified cash basis financial statements of the financial statements of the business-type activities of the Rural Water and Sewer District No. 4, Lincoln County, Agra, Oklahoma (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 29, 2024.

#### ***Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses as findings 2024-001.

***Report on 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 financial statements. 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*.

***District's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, according, we express no opinion on it.

***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.

***CBEW Professional Group, LLP***

CBEW Professional Group, LLP  
Certified Public Accountants  
Cushing, Oklahoma

**RURAL WATER AND SEWER DISTRICT NO. 4  
LINCOLN COUNTY  
Agra, Oklahoma**

**SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2024**

2024-001. Internal Control – Material Adjusting Journal Entries

**Criteria:** The district's management is responsible for internal controls over accounting and financial reporting. This responsibility includes the design and implementation of controls over the fair and complete presentation of the district's annual financial statements in accordance with modified cash basis of accounting from trial balances derived from the district's accounting records. For trial balances to be both complete and accurate, the district must have effective internal controls over recording, processing, summarizing, and adjusting accounting data. As evidence of effective internal controls over accounting and financial reporting, there should generally be few, if any, material adjustments to the trial balances required that are detected and corrected solely as a result of the financial statement audit. In other words, district management should not rely on the external auditor to detect and correct material misstatements in the books and records as part of its internal controls, but rather should have its own procedures designed and in place that are independent of the external auditor to provide reasonable, although not absolute, assurance that material misstatements will be detected and corrected in its trial balances prior to audit.

**Condition:** The district's trial balances for the year ended June 30, 2024, required a number of material adjusting journal entries in order for the financial statements to be prepared. These necessary adjusting entries, identified solely as a result of the financial statement audit, included such adjustments as the following: Capitalize asset expenditures, note payables, lease payables and depreciation.

**Cause:** The district's accounting and financial reporting staff does not possess the formal knowledge, expertise and education, relative to the complex nature applicable to state and local governments, sufficient to provide reasonable assurance that the trial balances used for preparing the financial statements are complete and accurate prior to audit. As a result, management has had to rely on the external auditors to identify and correct a number of material misstatements in the trial balances. However, as required by professional standards, management had the capacity to review, understand and accept the adjusting entries proposed by the auditor in order to take full responsibility for them and the related financial statements.

**Effect or Potential Effect:** As a result of this condition, without assistance from its external auditors, the district lacks the necessary internal controls over the completeness and accuracy of the trial balances that are used in the preparation of its financial statements in accordance with the modified basis of accounting. This condition can result in undetected and uncorrected material misstatements in the financial statements that are not detected by management and may also not be detected by the financial statement audit. In addition, if management's intentions are to continue to rely on the external auditor to detect and correct material misstatements, this condition could place the auditor in a questionable position regarding auditor independence since management is responsible for the completeness and accuracy of the financial statements.

**Recommendation:** The district should consider designing and implementing sufficient internal controls over the completeness and accuracy of trial balances by obtaining additional knowledge, expertise, and continuing education in the development of working trial balances that will be used to prepare the district's annual financial statements. This could be achieved through employment of qualified accounting staff or the outsourcing of these control activities to a qualified accounting firm other than the external auditor.

**Responsible Official's Response:** The district concurs with the recommendation, and will strive to expand their knowledge and understanding to identify and correct material misstatements timely in order to prepare complete and accurate financial statements.