

**Creek County Rural Water District No. 2
Jenks, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended November 30, 2022

Audited by

**BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

BROKEN ARROW, OK

Creek County Rural Water District No. 2
Jenks, Oklahoma
Board of Directors
November 30, 2022

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Creek County Rural Water District No. 2
Jenks, Oklahoma
November 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Creek County Rural Water District No. 2
Jenks, Oklahoma

Report on the Audit of the Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Creek County Rural Water District No. 2, Jenks, Oklahoma (the District), as of and for the year ended November 30, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of November 30, 2022 and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

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, and for 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.

Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-9 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The prior year “memorandum only” comparative information and the supplementary information on page 26 are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2023 on our consideration of the District’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 solely 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 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 District’s internal control over financial reporting and compliance.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

February 2, 2023

RURAL WATER DISTRICT NO.2, CREEK COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 30, 2022

Our discussion and analysis of the Rural Water District No. 2, Creek County's financial performance provides an overview of the District's financial activities for the fiscal year ended November 30, 2022. Please read it in conjunction with the District's financial statements that begin on page 14.

FINANCIAL HIGHLIGHTS:

- The District's total operating revenues exceeded total operating expenses by \$1,020,997.
- The District's net position increased by \$1,200,215 in the current fiscal year.
- The District added \$712,246 in capital assets in 2022 as it continued waterline improvements and expansion.
- A rate increase was approved and effective in February 2022.
- Membership numbers continued to be strong in 2021-22 with 5,461 total active users at fiscal year-end. Growth of the District is projected to continue.

Using This Report

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's basis of accounting.

Basis of Accounting

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

The Financial Statements

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question.

These three statements report the District’s net position and the changes in them. You can think of the District’s net position – the difference between assets and liabilities – as one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in water rates paid or charged and the condition of the District’s water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

Net Position, and Changes in Net Position

The District’s Net Position was higher in 2021-22 increasing from \$11,266,718 to \$12,466,933. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District’s business-type activities.

Table 1 – Net Position:

	<u>2021-22</u>	<u>2020-21</u>	<u>Variances</u>
Current and other assets	\$ 7,444,171	6,668,373	775,798
Capital assets, net	<u>13,779,373</u>	<u>13,633,623</u>	<u>145,750</u>
Total Assets	<u>\$ 21,223,544</u>	<u>20,301,996</u>	<u>921,548</u>
Current liabilities	\$ 526,757	499,620	(27,137)
Long-term liabilities	<u>8,229,854</u>	<u>8,535,658</u>	<u>305,804</u>
Total Liabilities	<u>\$ 8,756,611</u>	<u>9,035,278</u>	<u>278,667</u>
Net Invest. In Cap. Assets	\$ 5,241,976	4,798,474	443,502
Restricted	548,724	548,729	(5)
Unrestricted	<u>6,676,233</u>	<u>5,919,515</u>	<u>756,718</u>
Total Net Position	<u>\$ 12,466,933</u>	<u>11,266,718</u>	<u>1,200,215</u>

Net Position of the District increased by 10.6 percent (\$12,466,933 compared to \$11,266,718). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$5,919,515 to \$6,676,233.

Table 2 – Changes in Net Position:

	<u>2021-22</u>	<u>2020-21</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 5,630,613	4,838,611	792,002
Other sources	412,600	241,680	170,920
Interest	19,533	21,241	(1,708)
Total Revenues	<u>\$ 6,062,746</u>	<u>5,101,532</u>	<u>961,214</u>
Expenses:			
Salaries, taxes and benefits	\$ 918,386	889,676	(28,710)
Water purchases	2,188,143	1,771,416	(416,727)
Maintenance and repairs	547,832	544,491	(3,341)
Insurance	58,805	68,834	10,029
Other expenses	320,475	261,560	(58,915)
Depreciation/amortization	575,975	543,066	(32,909)
Interest on debt	252,915	254,967	2,052
Total Expenses	<u>\$ 4,862,531</u>	<u>4,334,010</u>	<u>(528,521)</u>
Changes in Net Position	1,200,215	767,522	432,693
Net Position, Beginning	<u>11,266,718</u>	<u>10,499,196</u>	<u>767,522</u>
Net Position, Ending	<u>\$ 12,466,933</u>	<u>11,266,718</u>	<u>1,200,215</u>

The District's total revenues increased by 18.9 percent (\$961,214). The total cost of all services increased by 12.2 percent (\$528,521).

Capital Assets

At November 30, 2022 the District had \$13,779,373 invested in capital assets, net of depreciation, including land, the water system, vehicles and equipment. In 2022, the District continued to add water line additions and improvements.

Long-Term Debt

The 2002 OWRB note and Rural Development loan 91-02 were paid off in 2019-20 with a Utility System Revenue Note, Series 2019, in the amount of \$3,380,000. The original issue date is December 2, 2019, and the maturity date is December 1, 2034, with a fixed interest rate of 2.75%. The monthly payments for 2022-23 are projected to be \$23,231. The outstanding principal balance at November 30, 2022 is \$2,908,000.

Loan 91-03 with the Office of Rural Development was approved in 2016. The note is for \$6,409,000, and will be paid back in monthly payments over 40 years. The monthly payments of principal and interest are \$22,496.00, and the interest rate is 2.875%. The loan balance at November 30, 2022 was \$5,629,397.

Economic Factors and Next Year's Budget and Rates

For the upcoming fiscal year ending November 30, 2023, the District's budget is fairly consistent with the prior fiscal year. The normal cost of operation continues to increase for all areas of the economy, and rural water is not exempt from these increases.

Contacting the District's Management

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at 2425 W 121st St. South, Jenks, OK 74037 or call (918)299-4448.



BLEDSON, HEWETT & GULLEKSON
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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**

Board of Directors
Creek County Rural Water District No. 2
Jenks, Oklahoma

We have audited 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, the financial statements of the Creek County Rural Water District No. 2, Jenks, Oklahoma (the "District"), as of and for the year ended November 30, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 2, 2023.

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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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. 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 were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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*.

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.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

February 2, 2023

CREEK COUNTY RURAL DISTRICT NO. 2
Disposition of Prior Year's Significant Deficiencies
November 30, 2022

There were no prior year significant deficiencies.

CREEK COUNTY RURAL WATER DISTRICT NO. 2
Schedule of Audit Results
November 30, 2022

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit reported no material weaknesses and did not report on any significant deficiencies not considered to be material weaknesses in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

Section 2 – Findings relating to the financial statements required to be reported in accordance with Generally Accepted Government Auditing Standards:

NONE

CREEK COUNTY RURAL WATER DISTRICT NO. 2
Statement of Net Position
November 30, 2022

	2022	-Memorandum- -Only- 2021
<u>ASSETS:</u>		
Current Assets:		
Cash and cash equivalents	\$ 1,005,023	\$ 1,242,006
Investments	1,154,000	1,154,000
Accounts receivable	448,498	311,502
Inventory	394,787	138,401
Prepaid assets	10,014	8,422
Total current assets	3,012,322	2,854,331
Restricted Assets:		
Reserve accounts	4,267,311	3,638,025
Project trust funds	23,196	23,196
Total restricted assets	4,290,507	3,661,221
Capital Assets:		
Land	39,645	39,645
Buildings and grounds	467,076	467,076
Plant and water systems	21,646,070	20,942,066
Vehicles and equipment	896,444	888,202
Total capital assets	23,049,235	22,336,989
Less: accumulated depreciation	(9,269,862)	(8,703,366)
Total capital assets, net of depreciation	13,779,373	13,633,623
Other Assets:		
Loan costs, net of amortization	141,342	152,821
TOTAL ASSETS	\$ 21,223,544	\$ 20,301,996
<u>LIABILITIES:</u>		
Current Liabilities:		
Accounts payable	\$ 165,617	\$ 137,612
Accrued liabilities	53,597	62,517
Current portion of long-term debt	307,543	299,491
Total current liabilities	526,757	499,620
Non-current Liabilities:		
Long-term debt, less current maturities	8,229,854	8,535,658
Total Liabilities	8,756,611	9,035,278
<u>NET POSITION:</u>		
Net investment in capital assets	5,241,976	4,798,474
Restricted for debt service	548,724	548,729
Unrestricted assets	6,676,233	5,919,515
Total Net Position	12,466,933	11,266,718
TOTAL LIABILITIES AND NET POSITION	\$ 21,223,544	\$ 20,301,996

The accompanying notes to the financial statements are an integral part of this statement

CREEK COUNTY RURAL WATER DISTRICT NO. 2
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended November 30, 2022

	<u>2021-22</u>	<u>-Memorandum- -Only- 2020-21</u>
Operating Revenues:		
Water sales	\$ 5,467,099	\$ 4,734,673
Fees and fines	87,207	72,224
Leases and reimbursements	76,307	31,714
Total revenue from operations	<u>5,630,613</u>	<u>4,838,611</u>
Operating Expenses:		
Water purchases	2,188,143	1,771,416
Salaries and benefits	918,386	889,676
Repairs and maintenance	494,736	493,912
Vehicle expense	54,062	51,284
Insurance	58,805	68,834
Supplies and materials	53,096	50,579
Office expense and postage	57,314	68,742
Depreciation	566,496	533,587
Amortization	9,479	9,479
Engineering fees	66,346	42,858
Professional fees	57,734	35,002
Utilities	81,926	59,722
Other	3,093	3,952
Total expenses from operations	<u>4,609,616</u>	<u>4,079,043</u>
Operating Income (Loss)	1,020,997	759,568
Non-Operating Revenues (Expenses):		
Interest income	19,533	21,241
Capital contributions-		
Memberships	32,850	19,950
Tap fees	379,750	196,800
Sale/disposal of assets	0	24,930
Interest paid on long-term debt	<u>(252,915)</u>	<u>(254,967)</u>
Total Non-Operating Revenues (Expenses)	<u>179,218</u>	<u>7,954</u>
Change in Net Position	1,200,215	767,522
Total Net Position, beginning of period	<u>11,266,718</u>	<u>10,499,196</u>
Total Net Position, end of period	<u>\$ 12,466,933</u>	<u>\$ 11,266,718</u>

The accompanying notes to the financial statements are an integral part of this statement

CREEK COUNTY RURAL WATER DISTRICT NO. 2
Statement of Cash Flows
For the Year Ended November 30, 2022

	2021-22	-Memorandum- -Only- 2020-21
Cash Flows from Operating Activities:		
Receipts from customers	\$ 5,549,778	\$ 4,794,705
Payments to employees	(913,107)	(837,391)
Payments to vendors	(3,415,588)	(2,627,173)
Net Cash Provided by Operating Activities	1,221,083	1,330,141
Cash Flows from Capital and Related Financing Activities:		
Sale (purchase) of capital assets	(712,246)	(556,870)
Capital contributions - Memberships	32,850	19,950
Capital contributions - Tap fees	379,750	196,800
Principal paid on long-term debt	(297,751)	(290,477)
Interest paid on long-term debt	(250,916)	(256,948)
Net Cash Provided by (used in) Capital and Related Financing Activities	(848,313)	(887,545)
Cash Flows from Investing Activities:		
Investments and trust accounts liquidated (added)	0	(74)
Interest earnings	19,533	21,241
Net Cash Provided by (used in) Investing Activities	19,533	21,167
Net Increase (Decrease) in Cash	392,303	463,763
Cash and cash equivalents, beginning of period	4,880,031	4,416,268
Cash and cash equivalents, end of period	\$ 5,272,334	\$ 4,880,031
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income	\$ 1,020,997	\$ 759,568
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	566,496	533,587
Amortization Expense	9,479	9,479
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(136,996)	91,662
(Increase) decrease in prepaid insurance	(1,592)	85
(Increase) decrease in inventory	(256,386)	(63,471)
Increase (decrease) in accounts payable	28,005	(2,079)
Increase (decrease) in accruals	(8,920)	1,310
Net cash provided by operating activities	\$ 1,221,083	\$ 1,330,141

The accompanying notes to the financial statements are an integral part of this statement

CREEK COUNTY RURAL WATER DISTRICT NO. 2
Jenks, Oklahoma
Notes to the Financial Statements
November 30, 2022

Note A – Significant Accounting Policies

Nature of Organization

The Creek County Rural Water District No. 2 (the District) was created under the provisions of Title 82 of Oklahoma Statutes, Sections 1324.1 – 1324.26 and the Laws of the State of Oklahoma. The purpose of this District is to provide water services to users. The District is considered a subdivision of the State of Oklahoma. The District is exempt from federal and state income taxes. The membership consists of approximately 5,400 members. The Board of Directors consists of seven members, listed on page 1. All Board members serve three year terms.

Reporting Entity

The District 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 services is financed through user charges. The District purchases its water from the City of Tulsa, the City of Sapulpa and Creek County Rural Water District No. 1.

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 (GAAP) 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 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 accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

CREEK COUNTY RURAL WATER DISTRICT NO. 2

Jenks, Oklahoma

Notes to the Financial Statements

November 30, 2022

Note A – Significant Accounting Policies – cont'd

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 several financial institutions 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.

Custodial Credit Risk - At November 30, 2022 the District held deposits of approximately \$6,449,530 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely 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.

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 limitations 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.

CREEK COUNTY RURAL WATER DISTRICT NO. 2
Jenks, Oklahoma
Notes to the Financial Statements
November 30, 2022

Note A – Significant Accounting Policies – cont’d

- 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 November 30, 2022 are as follows:

	Wtd. Avg Maturity	Credit Rating	Cost/ Market
Money market/checking	N/A	AAAm	\$ 5,058,756
Trust accounts	N/A	AAAm	23,196
Certificates of deposit	3.0 Yrs	N/A	1,365,578
Total Deposits			\$ 6,447,530

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: 21.2% in Certificates of Deposit (\$1,365,578), .4% in Trust Accounts (\$23,196) and 78.4% in Money Market funds (\$5,058,756).

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 values because of the short maturity of these instruments.

Restricted Assets

The District has the following accounts that are reserved for the current loans, future capital improvements and other specific purposes. These amounts are earmarked for these purposes and placed in separate bank accounts by formal action of the Board. The loan reserve amounts are considered “restricted” and are regulated by creditors or grantors. The other items are considered “committed” by the District and cannot be used for any other purpose unless the District removes or changes the limitation by taking action similar to that which imposed the commitment.

CREEK COUNTY RURAL WATER DISTRICT NO. 2
Jenks, Oklahoma
Notes to the Financial Statements
November 30, 2022

Note A – Significant Accounting Policies – cont’d

American Heritage Bank-	
Construction Loan account	\$ 106
Capital Investment	2,143,415
Short Lived Assets	1,003,680
Rural Development Reserve account	5,706
Rural Dev. Short Lived Assets account	10,002
Tower Maintenance account	563,646
Water Loss Protection account	77,177
Vast Bank-	
Certificate of Deposit	165,306
Certificate of Deposit (restricted)	48,273
Regent Bank-	
Certificate of Deposit (restricted)	250,000
BancFirst-	
2019 Note Trust account	<u>23,196</u>
 Total Temporarily Restricted Assets	 <u><u>\$ 4,290,507</u></u>

Inventories

Inventories consist primarily of materials and supplies for repairs and improvements of existing water lines, meters and all other capital assets. Inventory is valued at cost, principally on a first-in, first-out basis, but not in excess of market.

Accounts Receivable

Billings for accounts receivable at November 30, 2022 were \$466,889. An allowance for doubtful accounts was computed at \$18,391.

Prior Year ‘Memorandum Only’ Information

Prior year financial statement information is included for comparative purposes only.

CREEK COUNTY RURAL WATER DISTRICT NO. 2

Jenks, Oklahoma

Notes to the Financial Statements

November 30, 2022

Note A – Significant Accounting Policies – cont'd

Risk Management

The District 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 carries commercial insurance, including workers compensation, for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Capital Assets

Capital assets are valued at cost, depreciation is computed by use of the straight-line method, and includes any items in excess of \$5,000 and a useful life of two years or longer. The estimated useful lives of these assets are as follows:

Land	N/A
Office furniture & fixtures	5-10 years
Equipment & tools	5-10 years
Transportation equipment	5 years
Water system	40 years
Buildings	30 years
Radio read meters	20 years
Computer equipment	5 years

The capital asset information for the District is shown below:

	12/1/2021			11/30/2022
	Amount	Additions	Deletions	Amount
Land	\$ 39,645	-	-	39,645
Water dist. system	20,942,066	704,004	-	21,646,070
Vehicles and equip.	888,202	8,242	-	896,444
Buildings and furn.	467,076	-	-	467,076
Total Capital Assets	22,336,989	712,246	-	23,049,235
Less: Accumulated Depreciation	(8,703,366)	(566,496)	-	(9,269,862)
Total	\$ 13,633,623	145,750	-	13,779,373

CREEK COUNTY RURAL WATER DISTRICT NO. 2
Jenks, Oklahoma
Notes to the Financial Statements
November 30, 2022

Note B – Long-Term Debt

Long-Term Debt consists of two notes:

In 2016, the District was approved for a \$6,409,000 loan with the USDA - Office of Rural Development for continued improvements on their water system. The interest rate is 2.875%, and the District is required to make monthly payments of principal and interest of \$22,496. The water system and future water revenues are used as security for this note.

In 2019, the District was approved for a \$3,380,000 Utility System Revenue Note with Branch Banking and Trust Company, with BancFirst as trustee, to refinance two existing loans with higher interest rates. The interest rate is 2.75%, and the District is required to make monthly payments of principal and interest to a trustee account, and the trustee makes semi-annual payments on the note.

	November 30,	
	2022	2021
USDA/RD note payable 91-03, issued for \$6,409,000, at 2.875% interest, payable in monthly payments of \$22,496, until paid (2054)	\$ 5,629,397	5,734,149
Utility System Revenue Note, issued for \$3,380,000, at 2.75% interest, payable in monthly trustee payments of approximately \$23,000, and due in semi-annual installments, until paid (2034)	2,908,000	3,101,000
Long-Term Debt Outstanding	8,537,397	8,835,149
Less: Current maturities of long-term debt	(307,543)	(299,491)
Total Long-Term Debt, Net	\$ 8,229,854	8,535,658

CREEK COUNTY RURAL WATER DISTRICT NO. 2
Jenks, Oklahoma
Notes to the Financial Statements
November 30, 2022

Note B – Long-Term Debt – cont’d

The scheduled maturities for the next five years, and in total thereafter, are detailed as follows:

<u>Year</u>	<u>Total</u>	<u>RD 91-03</u>	<u>Util Syst Rev</u>
2023	\$ 307,543	109,543	198,000
2024	315,734	112,734	203,000
2025	325,018	116,018	209,000
2026	334,398	119,398	215,000
2027	343,876	122,876	221,000
2028-32	1,727,359	528,359	1,199,000
2033-37	1,414,785	751,785	663,000
2038-42	867,858	867,858	-
2043-47	1,001,852	1,001,852	-
2048+	1,898,974	1,898,974	-
Total	<u>\$ 8,537,397</u>	<u>5,629,397</u>	<u>2,908,000</u>

Note C – Employee Retirement Plan

The District has adopted a simplified employee pension (SEP) plan. The District contributes 3% of the employee gross pay of each qualifying employee, and employees are free to contribute more than 3%. For the 2021-22 fiscal year, the District made payments to Edward Jones of \$38,641.

Note D – Lease Income

The District has an ongoing lease agreement (no. 10008555) with AT&T. The annual rental payment is \$6,900.

CREEK COUNTY RURAL WATER DISTRICT NO. 2

Jenks, Oklahoma

Notes to the Financial Statements

November 30, 2022

Note E – Glenpool Settlement Agreement

Creek County Rural Water District No. 2 (Creek-2) entered into a settlement agreement with the City of Glenpool and the Glenpool Utility Services Authority (“Glenpool”) to resolve pending litigation between these parties in U.S. District Court for the Northern District of Oklahoma, Case No. 11 CV-441-JHP-FHM. Creek-2 filed suit against Glenpool claiming Glenpool had breached the parties’ 1992 settlement contract and that Glenpool had violated 7 U.S.C. § 1926(b) and 42 U.S.C. § 1983 (federal statutes which protect Creek-2). The principal terms of the settlement were:

1. Glenpool paid Creek-2 the sum of \$500,000 (which has been paid) plus four (4) additional annual payments of \$125,000 each. The final annual payment of \$125,000 was received in May 2019.
2. Creek-2 granted permission for Glenpool to provide water service within a portion of the Creek-2 Territory (called the Permissive Area), in exchange for Glenpool paying fees and monthly royalties to Creek-2 during the 37 year term/life of the settlement, based on the number of water customers connected/served by Glenpool within the Permissive Area. Fees and royalties will be adjusted upward annually based on the U.S. Labor Department’s Consumer Price Index. Glenpool has provided a letter of credit to insure that its payments will be made during the term/life of the settlement. Creek-2 retains a non-exclusive right to also provide water service within the Permissive Area.
3. Creek-2 granted permission for Glenpool to provide water service within a different portion of the Creek-2 Territory (called the Released Area) royalty free. Creek-2 will retain all its existing and future customers it serves in the Released Area into perpetuity.
4. The parties exchanged mutual releases of all past claims and agreed that the federal suit would be dismissed.

The settlement agreement and its associated exhibits are very lengthy and complex. The foregoing mentions only the more important financial aspects of the settlement. A complete copy of the settlement agreement is available at the Creek-2 office for inspection.

CREEK COUNTY RURAL WATER DISTRICT NO. 2
Jenks, Oklahoma
Notes to the Financial Statements
November 30, 2022

Note F – Pending Litigation

District officials are not aware of any pending or threatened litigation, claims or assessments or un-asserted claims or assessments against the District.

Note G – Subsequent Events

Management has evaluated subsequent events through February 2, 2023, 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.

CREEK COUNTY RURAL WATER DISTRICT NO. 2
Schedule of Water Rates and Customers
-Unaudited Information-
November 30, 2022

2021-22 Water Rates:

0 – 1,000 gallons	=	\$28.50
1,000 – 50,000 gallons	=	\$5.95 per thousand
Over 50,000 gallons	=	\$6.45 per thousand

Note - These fees were increased for the 2022-23 fiscal year by \$0.20 per thousand gallons.

Water Loss:

	<u>2022</u>	<u>2021</u>
Total gallons purchased	685,499,000	546,603,000
Total gallons sold to District customers	<u>(602,358,386)</u>	<u>(486,923,085)</u>
Net Water loss	83,140,614	59,679,915
Less: water used for maintenance	<u>(55,564,447)</u>	<u>(46,154,985)</u>
Total unaccounted water loss	<u>27,576,167</u>	<u>13,524,930</u>
Percentage of water loss	<u>4.02%</u>	<u>2.47%</u>

Source – Monthly Water and Field Report

Customers:

The District had 5,461 active accounts at the close of the fiscal year.

Water membership fee, with installation of 3/4” meter is \$1,700. This fee was increased to \$2,100 for the 2022-23 fiscal year.