

**Okmulgee County Rural Water District No. 4
Morris, Oklahoma**

**FINANCIAL STATEMENTS
AND REPORTS OF INDEPENDENT AUDITOR**

DECEMBER 31, 2023

Audited by

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

BROKEN ARROW, OK

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 4
BOARD OF DIRECTORS
DECEMBER 31, 2023

BOARD OF DIRECTORS

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Steve Finch

Vice-Chairman

Bill Dancer

Treasurer

Rick Sturman

Members

Bud Pilch
Dennis Nunley

MANAGER

Bryan King

BOOKKEEPER

Jordan O'Dell

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 4
DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Okmulgee County Rural Water District No. 4
Morris, 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 Okmulgee County Rural Water District No. 4, Morris, Oklahoma (the District), 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2023 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 25 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 March 8, 2024, 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

March 8, 2024

RURAL WATER DISTRICT NO. 4, OKMULGEE COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

Our discussion and analysis of the Rural Water District No. 4, Okmulgee County’s financial performance provides an overview of the District’s financial activities for the fiscal year ended December 31, 2023. 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 \$44,970. Overall, the District’s cash and cash equivalents decreased by \$26,381 in the current fiscal year.
- The District approved a new water rate schedule in November 2023, effective December 1, 2023 due to City of Okmulgee increasing their rates.

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 assets 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 2023 increasing from \$1,373,077 to \$1,416,817. 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>2023</u>	<u>2022</u>	<u>Variances</u>
Current and other assets	\$ 416,641	438,653	(22,012)
Capital assets, net	<u>1,545,808</u>	<u>1,477,091</u>	<u>68,717</u>
Total Assets	<u><u>\$ 1,962,449</u></u>	<u><u>1,915,744</u></u>	<u><u>46,705</u></u>
Current liabilities	\$ 52,706	56,558	3,852
Long-term liabilities	<u>492,926</u>	<u>486,109</u>	<u>(6,817)</u>
Total Liabilities	<u><u>\$ 545,632</u></u>	<u><u>542,667</u></u>	<u><u>(2,965)</u></u>
Invest. In capital assets, net			
of related debt	\$ 1,019,922	967,743	52,179
Restricted	62,105	47,017	15,088
Unrestricted	<u>334,790</u>	<u>358,317</u>	<u>(23,527)</u>
Total Net Position	<u><u>\$ 1,416,817</u></u>	<u><u>1,373,077</u></u>	<u><u>43,740</u></u>

Net Position of the District increased by 3.2 percent (\$1,416,817 compared to \$1,373,077). 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 – decreased from \$358,317 to \$334,790.

Table 2 – Changes in Net Position:

	<u>2023</u>	<u>2022</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 815,403	783,831	31,572
Grant proceeds	-	295,000	(295,000)
Interest	698	1,478	(780)
Total Revenues	<u>816,101</u>	<u>1,080,309</u>	<u>(264,208)</u>
Expenses:			
Salaries, taxes and benefits	232,358	154,943	(77,415)
Water purchases	267,286	281,429	14,143
Maintenance and repairs	75,406	98,656	23,250
Other expenses	88,083	97,409	9,326
Depreciation	83,536	68,600	(14,936)
Interest on debt	24,702	23,465	(1,237)
Total Expenses	<u>771,371</u>	<u>724,502</u>	<u>(46,869)</u>
Changes in Net Position	44,730	355,807	(311,077)
Net Position, Beginning	<u>1,372,087</u>	<u>1,017,280</u>	<u>354,807</u>
Net Position, Ending	<u>\$ 1,416,817</u>	<u>1,373,087</u>	<u>43,730</u>

The District's total revenues decreased by 24.5 percent (\$264,208). The total cost of all services increased by 6.5 percent (\$46,869).

Capital Assets

At December 31, 2023 the District had \$1,545,808 invested in capital assets, net of depreciation, including land, the water system, vehicles and equipment. In 2023, the District completed the pumphouse and laid one mile of 6" lines and purchased a truck, which were added to capital assets.

Long-Term Debt

The District is indebted to the Office of Rural Development on a note obtained for previously extensive extensions and payment of other debts. The outstanding principal balance owed on the note decreased from \$509,348 to \$486,109 during the 2023 fiscal year. The \$846,000 note, at 4.50% interest, is scheduled to be paid off in 2038. The District also approved a truck loan agreement with Mabrey Bank in 2023 to finance the \$46,600 truck purchase.

Economic Factors and Next Year's Budget and Rates

The District has absorbed some of the City of Okmulgee's rate increases, but may be forced to further increase our customer rates if additional increases are made by the City.

The District's budget for fiscal year 2024 will remain much like previous years budgets. Your Board of Directors does anticipate small budget changes made primarily to better allow for office and field personnel operations, without the necessity of hiring additional part-time or permanent employees.

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 20270 Hwy. 52, Morris, OK 74445 or call (918) 733-2441.



BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA
Christopher P. Gullekson, CPA

P.O. BOX 1310 • 121 E. COLLEGE ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

**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
Okmulgee County Rural Water District No. 4
Morris, 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 accompanying financial statements of the Okmulgee County Rural Water District No. 4 (the District) Morris, 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 and have issued our report thereon dated March 8, 2024.

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 in order to determine our auditing procedures that are appropriate for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph 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 one certain deficiency in the internal controls, described in the accompanying schedule of audit results as item 23-1, which was considered a material weaknesses.

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 grants, 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 that is required to be reported under *Government Auditing Standards*.

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 District'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 District'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

March 8, 2024

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 4
Morris, Oklahoma
Disposition of Prior Year's Significant Deficiencies
December 31, 2023

Lack of Segregation of Duties

The exception that there were inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available which prevented a proper segregation of accounting functions which is necessary to assure adequate internal accounting controls continued in the current fiscal year and will continue to be an exception due to the size of the District.

Financial Reconciliations

During our 2022 audit, we were unable to obtain a proper classification of monthly expenses. We used the bank statements to classify the checks and debits into the proper expense category. This finding was corrected in 2023.

Payroll/IRS Obligations

The District had not filed an IRS Form 941 quarterly report since September 2021. Further, timely payments to the IRS and the Oklahoma Tax Commission were not made on a consistent basis during the 2022 fiscal year. These findings are currently being corrected by the District.

OKMULGEE COUNTY RURAL WATER DISTRICT NO. 4
Morris, Oklahoma
Schedule of Audit Results
December 31, 2023

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit disclosed one significant deficiencies in the internal controls, item 23-1, which was considered a material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

23-1 – Lack of Segregation of Duties

Condition: The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting functions, which is necessary in order to assure adequate internal accounting controls.

Criteria: An organization should ensure that there is a proper segregation of duties regarding cash collections and the payment of expenses.

Cause: The District is not large enough to justify the hiring of additional personnel.

Effect: There is always the possibility that not all collections are actually receipted or deposited, and the possibility that funds expended are not used for actual District obligations.

Recommendation: The current procedures should not be changed. However, there should be additional personnel instilled into the collection, receipt, deposit, reconciliation and payment procedures when this becomes economically possible.

Response: Additional personnel will be hired when the actual funds are available.

Okmulgee County Rural Water District No. 4

Morris, Oklahoma

Statement of Net Position

December 31, 2023

	<u>2023</u>	<u>-Memorandum- -Only- 2022</u>
<u>ASSETS</u>		
Current assets:		
Cash accounts	\$ 220,989	\$ 299,230
Investments	58,820	22,048
Accounts receivable	72,271	70,230
Prepaid insurance	2,456	128
Total current assets	<u>354,536</u>	<u>391,636</u>
Restricted (temporarily) assets:		
Cash in bank - reserve acct	<u>62,105</u>	<u>47,017</u>
Capital Assets:		
Land	3,565	3,565
Water system	1,934,861	1,851,206
Buildings	522,720	516,120
Vehicles and equipment	329,140	267,142
Other capital assets	27,108	27,108
Total capital assets	<u>2,817,394</u>	<u>2,665,141</u>
Less: accumulated depreciation	<u>(1,271,586)</u>	<u>(1,188,050)</u>
Total capital assets (net)	<u>1,545,808</u>	<u>1,477,091</u>
TOTAL ASSETS	<u>\$ 1,962,449</u>	<u>\$ 1,915,744</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 19,746	\$ 33,319
Current portion long-term debt	32,960	23,239
Total current liabilities	<u>52,706</u>	<u>56,558</u>
Long-term Debt:		
Notes payable-Rural Development	461,803	486,109
Notes payable - Mabrey Bank	31,123	0
Total long-term debt	<u>492,926</u>	<u>486,109</u>
Total Liabilities	<u>545,632</u>	<u>542,667</u>
 <u>NET POSITION</u>		
Net investment in capital assets	1,019,922	967,743
Restricted for debt service	62,105	47,017
Unrestricted	334,790	358,317
Total Net Position	<u>1,416,817</u>	<u>1,373,077</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,962,449</u>	<u>\$ 1,915,744</u>

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

Okmulgee County Rural Water District No. 4
Morris, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2023

	2023	-Memorandum- -Only- 2022
Operating Revenues:		
Water sales and other sales	\$ 763,217	\$ 744,793
Late fees	17,400	16,569
Reconnect fees	3,300	3,100
Transfer fees	1,300	2,319
Other sales and services	7,412	2,750
Total revenues	792,629	769,531
Operating Expenses:		
Water purchases	267,286	281,429
Salaries	156,962	113,104
Depreciation	83,536	68,600
Employee health insurance	16,180	20,590
Utilities and telephone	21,763	23,220
Professional services	23,005	15,835
Insurance	3,937	14,927
Repairs and maintenance	1,250	33,400
Office supplies and postage	21,926	13,575
Uniforms	1,850	1,250
Truck expense	14,106	16,814
Payroll taxes and back taxes	56,667	16,535
Retirement	2,549	4,714
Materials and supplies	65,788	58,218
Water testing	6,518	5,788
Miscellaneous	4,336	5,716
Dues and fees	0	7,322
Total expenses from operations	747,659	701,037
Operating Income (Loss)	44,970	68,494
Non-Operating Revenues (Expenses):		
Interest income	698	1,478
Benefit units	22,774	14,300
OWRB grant proceeds	0	295,000
Interest paid on long-term debt	(24,702)	(23,465)
Total non-operating revenues (expenses)	(1,230)	287,313
Change in Net Position	43,740	355,807
Total Net Position, beginning of period	1,373,077	1,017,270
Total Net Position, end of period	\$ 1,416,817	\$ 1,373,077

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

Okmulgee County Rural Water District No. 4
Morris, Oklahoma
Statement of Cash Flows
December 31, 2023

	2023	-Memorandum- -Only- 2022
Cash Flows from Operating Activities:		
Receipts from customers	\$ 790,588	\$ 756,086
Payments to employees	(156,962)	(113,104)
Payments to vendors	(523,062)	(515,144)
	110,564	127,838
Cash Flows from Investing Activities:		
Interest revenue	698	1,478
Cash Flows from Capital and Related Financing Activities:		
Loan proceeds	46,600	0
OWRB grant proceeds	0	295,000
Sale (purchase) of capital assets	(152,253)	(686,982)
Contributions - benefit units	22,774	14,300
Interest expense on debt	(24,702)	(23,466)
Principal payments on debt	(30,062)	(39,503)
	(137,643)	(440,651)
Net Increase (Decrease) in Cash	(26,381)	(311,335)
Cash and cash equivalents, beginning of period	368,295	679,630
Cash and cash equivalents, end of period	\$ 341,914	\$ 368,295
 Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income	\$ 44,970	\$ 68,494
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation Expense	83,536	68,600
(Increase) decrease in accounts receivable	(2,041)	(13,445)
(Increase) decrease in prepaid insurance	(2,328)	6,631
Increase (decrease) in accounts payable	(13,573)	(2,442)
	110,564	127,838
Net Cash Provided by Operating Activities	\$ 110,564	\$ 127,838

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

Okmulgee County Rural Water District No. 4
Morris, Oklahoma
Notes to Financial Statements
December 31, 2023

Note A – Significant Accounting Policies

Organization

Okmulgee County Rural Water District No. 4 (the District) is an Oklahoma water district organized under Title 82 of Oklahoma Statutes, Sections 1324.1-1324.26 inclusive, to provide water service to rural residents of Okmulgee County, Oklahoma. 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 820 members.

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 water from the City of Okmulgee.

Basis of Accounting

The accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America is followed for all accounts. Revenues are recorded when earned and liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles. The District has also complied with GASB Statement No. 34 financial reporting requirements.

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 December 31, 2023 the District held deposits of approximately \$344,894 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.

Okmulgee County Rural Water District No. 4
Morris, Oklahoma
Notes to Financial Statements
December 31, 2023

Note A – Significant Accounting Policies – cont’d

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.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a-d).

Okmulgee County Rural Water District No. 4
 Morris, Oklahoma
 Notes to Financial Statements
 December 31, 2023

Note A – Significant Accounting Policies – cont’d

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.

The District’s cash and investment accounts at December 31st, are detailed as follows:

	December 31,	
	2023	2022
<u>Morris State Bank-</u>		
Oper & Maint account	\$ 45,996	105,704
Savings account	58,820	22,048
Benefit Unit account	64,340	94,968
Depreciation account	61,868	34,231
Long Range Planning account	47,545	37,465
Payroll account	1,000	-
<u>First Family CU-</u>		
Reserve accounts	62,105	47,017
Pump House Building accounts	240	26,862
<u>Edward Jones-</u>		
Investment account	-	-
Total accounts	\$ 341,914	368,295

Restricted Asset – Investment Reserves

In compliance with Rural Economic and Community Development regulations, cash reserves have been established to collect up to one year’s payment on the notes payable (\$45,684) at which time deposits in the reserve can be suspended. When necessary, these funds may be utilized with proper approval of the Rural Development. The reserve account funds have been deposited in an interest-bearing savings at First Family Credit Union, Henryetta, Oklahoma, which is insured by the federal government. At December 31, 2023 the temporarily restricted asset - cash reserve (Reserve account) was \$62,105.

Okmulgee County Rural Water District No. 4
Morris, Oklahoma
Notes to Financial Statements
December 31, 2023

Note A – Significant Accounting Policies – cont’d

Inventories

Inventories consist primarily of materials and supplies for repairs and improvements of existing water lines, meters and all other capital assets. The amount of inventory is not considered material, and is not included on the financial statements.

Accounts Receivable

Billings for accounts receivable at December 31, 2023 were \$72,271. Allowance for doubtful accounts was not computed on this balance because uncollectible accounts do not have a material effect on the balance sheet.

Memorandum Totals

The “Memorandum Only” captions above the columns mean that amounts are presented for comparative and information purposes only.

Equity Classification

Equity is classified as net position and displayed in three components:

1. Net Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) laws through constitutional provisions of enabling legislation.
3. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Okmulgee County Rural Water District No. 4
 Morris, Oklahoma
 Notes to Financial Statements
 December 31, 2023

Note B – Capital Assets

Capital (fixed) assets are defined as any item with a cost in excess of \$1,000 and a useful life of two or more years. Capital assets are valued at cost, and depreciation is computed by use of the straight-line method. The estimated useful lives of these assets are as follows:

Land	N/A
Water System & Improvements	40-50 years
Equipment & tools	4 years
Vehicles	3 years
Office Equipment	5 years
Buildings	40 years
Furniture & fixtures	7 years

The capital asset information for the District is shown below:

	12/31/2022	Additions	Deletions	12/31/2023
	Amount			Amount
Water System & Improv.	\$ 1,666,206	83,655	-	1,749,861
Radio Read Meters	185,000	-	-	185,000
Equipment & Tools	101,753	15,398	-	117,151
Vehicles	165,389	46,600	-	211,989
Office Equipment	19,081	-	-	19,081
Buildings & Grounds	519,685	6,600	-	526,285
Furniture & Fixtures	8,027	-	-	8,027
Total Capital Assets	2,665,141	152,253	-	2,817,394
Less: Accumulated Depreciation	(1,188,050)	(83,536)	-	(1,271,586)
Total	\$ 1,477,091	68,717	-	1,545,808

Okmulgee County Rural Water District No. 4
 Morris, Oklahoma
 Notes to Financial Statements
 December 31, 2023

Note C – Long-term Debt

The following is a summary of the long-term debt transactions of the District for the year ended December 31, 2023:

		<u>Loans Payable</u>
Balance, Jan. 1, 2023	\$	509,348
Additions		46,600
Retirements		<u>(30,062)</u>
Balance, Dec. 31, 2023	\$	<u>525,886</u>
		<u>Amount Outstanding</u>
Note 91-03, 4.50% mortgage payable to USDA; Office of Rural Development, required monthly installments of \$3,807. The loan is secured by a pledge of real estate and equipment	\$	486,109
Truck Note, payable to Mabry Bank, dated 2-17-23 totaling \$46,600, due in monthly principal and interest payments of \$908, final payment due 2-17-28		<u>39,777</u>
Total Long-Term Debt	\$	<u>525,886</u>

Okmulgee County Rural Water District No. 4
 Morris, Oklahoma
 Notes to Financial Statements
 December 31, 2023

Note C – Long-term Debt – cont’d

The annual debt service requirements for retirement of loan principal and payment of interest are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 32,960	23,620	56,580
2025	34,634	21,946	56,580
2026	36,395	20,185	56,580
2027	38,246	18,334	56,580
2028	30,764	15,850	46,614
2029-33	166,768	58,839	225,607
2034-38	186,119	18,962	205,081
Total	<u>\$ 525,886</u>	<u>177,736</u>	<u>703,622</u>

Note D – Insurance and Surety Bond Coverage

At December 31, 2023 the District had appropriate coverage against all major perils.

Note E – Accumulated Unpaid Vacation and Sick Pay

At December 31, 2023 no determination of the aggregate dollar value of vacation or sick pay had been made.

Okmulgee County Rural Water District No. 4
Morris, Oklahoma
Notes to Financial Statements
December 31, 2023

Note F – Employee Benefits

The Board approved a Simplified Employee Pension (SEP) plan for all full-time employees through Edward Jones Financial. In 2023 the District contributed \$2,549 to the SEP plan.

The District also offers employee health insurance for all full-time employees through Employees Group Insurance Division.

Note G – Subsequent Events

Management has evaluated subsequent events through March 8, 2024, 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.

OKMULGEE COUNTY RURAL DISTRICT NO. 4
Schedule of Water Rates and Customers
-Unaudited Information-
December 31, 2023

Water Rates:

Rates effective April 1, 2023-

0 gallons	=	\$36.50 minimum bill
1 – 1,000 gallons	=	\$8.69 per 1,000 gallons
1,000 – 5,000 gallons	=	\$9.29 per 1,000 gallons
5,000 – 10,000 gallons	=	\$9.88 per 1,000 gallons
10,000 – 50,000 gallons	=	\$11.51 per 1,000 gallons
50,000 – 100,000 gallons	=	\$13.13 per 1,000 gallons
100,000 – 150,000 gallons	=	\$16.01 per 1,000 gallons
150,000 – 200,000 gallons	=	\$19.43 per 1,000 gallons
over 200,000 gallons	=	\$25.73 per 1,000 gallons

Rates effective January 1, 2024-

0 gallons	=	\$38.50 minimum bill
1 – 1,000 gallons	=	\$9.13 per 1,000 gallons
1,000 – 5,000 gallons	=	\$10.22 per 1,000 gallons
5,000 – 10,000 gallons	=	\$10.87 per 1,000 gallons
10,000 – 50,000 gallons	=	\$12.66 per 1,000 gallons
50,000 – 100,000 gallons	=	\$14.45 per 1,000 gallons
100,000 – 150,000 gallons	=	\$17.61 per 1,000 gallons
150,000 – 200,000 gallons	=	\$21.37 per 1,000 gallons
over 200,000 gallons	=	\$28.30 per 1,000 gallons

Customers:

The District had 837 customers at the close of the fiscal year.

Current membership/tap fee (residential) is \$1,100 per meter sign up.



BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA
Christopher P. Gullekson, CPA

P.O. BOX 1310 • 121 E. COLLEGE ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

March 8, 2024

Board of Directors
Okmulgee County Rural Water District No. 4
Morris, OK 74445

Listed below are the immaterial audit exceptions and recommendations from the final audit work we performed for you. These items are not included or referred to in your audit report. Please review them very carefully. If you have any questions or desire additional information, please contact our office so that any discrepancies may be resolved.

Board Minutes

We observed that the 2023 calendar of meeting dates was approved by the board of directors on December 13, 2022, however, the dates were not submitted to the Okmulgee County Clerk's Office. Oklahoma Statutes require that each governing board provide written notice to the county clerk of all upcoming meetings for each calendar year by December 15th of the previous year.

Respectfully,

Eric M. Bledsoe