

**Wagoner County Rural Water District No. 4
Broken Arrow, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended June 30, 2022

Audited by

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

BROKEN ARROW, OK

**Wagoner County Rural Water District No. 4
Broken Arrow, Oklahoma**

Board of Directors

June 30, 2022

BOARD OF DIRECTORS

Chairman

Charles Stinnett

Vice-Chairman

Gary Rogers

Secretary/Treasurer

Chad Jester

Members

Jim Self

Terry Hurst

BUSINESS MANAGER

Thomas Faulk

OPERATIONS MANAGER

Rick Lang

BOOKKEEPER

Brittany Ailey

Wagoner County Rural Water District No. 4
Broken Arrow, Oklahoma
June 30, 2022

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Board of Directors | 1 |
| Table of Contents | 2 |
| Independent Auditor's Report | 3 |
| Management's Discussion and Analysis | 5 |
| 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 <i>Government Auditing Standards</i> | 9 |
| Disposition of Prior Year's Significant Deficiencies | 11 |
| Schedule of Audit Results, Findings and Questioned Costs | 12 |
| <u>COMBINED FINANCIAL STATEMENTS:</u> | |
| Statement of Net Position | 13 |
| Statement of Revenues, Expenses and Changes in Net Position | 14 |
| Statement of Cash Flows | 15 |
| Notes to Financial Statements | 16 |
| <u>OTHER SUPPLEMENTARY INFORMATION:</u> | |
| Water Rates and Customer Information (unaudited) | 23 |



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

Board of Directors
Wagoner County Rural Water District No. 4
Broken Arrow, Oklahoma

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Wagoner County Rural Water District No. 4 (the District), Broken Arrow, Oklahoma, as of and for the year ended June 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

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

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 8 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 23 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 subject 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 September 9, 2022 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 to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on 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

September 9, 2022

RURAL WATER DISTRICT NO. 4, WAGONER COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

Our discussion and analysis of the Rural Water District No. 4, Wagoner County's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the District's financial statements that begin on page 13.

FINANCIAL HIGHLIGHTS

- The District's total operating revenues exceeded total operating expenses by \$3,364,957.
- The District had total investments of \$759,379 with Edward Jones, which was a decrease of approximately \$91,980 from the 2020-21 fiscal year. This decrease was due to the volatile investment market.
- The District continued paying on their existing long-term debt obligations. The District's previously approved loan of \$14,835,000 to fund the new wastewater plant was de-obligated. Due to increased project costs, the District was approved for a new loan with a lower interest rate. The lower interest rate is expected to offset the additional costs of the project. The \$23,006,000 loan from OWRB will be funded as construction is completed.
- Membership numbers continued to be strong in 2021-22, with 13,209 total users at fiscal year-end. This was a 4.7% growth from the previous year. Substantial growth of the District is projected to continue.
- A rate increase of 1% was approved in 2021, effective 10-1-21. Another rate increase of 3% was approved in 2022, effective 10-1-22. These increases are necessary to keep up with the rising costs of water, chemicals, materials, supplies, and labor.

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 were higher in 2021-22, increasing from \$21,931,711 to \$25,295,090. 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 | \$ 6,555,361 | 5,833,666 | 721,695 |
| Capital assets, net | <u>31,778,358</u> | <u>28,548,901</u> | <u>3,229,457</u> |
| Total Assets | <u>\$ 38,333,719</u> | <u>34,382,567</u> | <u>3,951,152</u> |
| | | | |
| Current liabilities | \$ 1,028,986 | 1,376,745 | 347,759 |
| Long-term liabilities | <u>12,009,643</u> | <u>11,074,111</u> | <u>(935,532)</u> |
| Total Liabilities | <u>\$ 13,038,629</u> | <u>12,450,856</u> | <u>(587,773)</u> |
| | | | |
| Invest. In capital assets, net | | | |
| of related debt | \$ 18,334,439 | 16,488,486 | 1,845,953 |
| Restricted | 594,354 | 516,692 | 77,662 |
| Unrestricted | <u>6,366,297</u> | <u>4,926,533</u> | <u>1,439,764</u> |
| Total Net Position | <u>\$ 25,295,090</u> | <u>21,931,711</u> | <u>3,363,379</u> |

Net Position of the District increased by 13.30 percent (\$25,295,090 compared to \$21,931,711). 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 \$4,926,533 to \$6,366,297.

Table 2 – Changes in Net Position:

| | <u>2021-22</u> | <u>2020-21</u> | <u>Variances</u> |
|---------------------------------|----------------------|-------------------|------------------|
| Revenues: | | | |
| Charges for services | \$ 7,574,378 | 6,699,027 | 875,351 |
| Other revenue | 865,899 | 902,513 | (36,614) |
| Benefits units and installation | 555,508 | 727,284 | (171,776) |
| ODOT Reimbursements | 1,605,927 | - | 1,605,927 |
| Total Revenues | <u>\$ 10,601,712</u> | <u>8,328,824</u> | <u>2,272,888</u> |
| Expenses: | | | |
| Salaries, taxes and benefits | \$ 1,497,632 | 1,315,340 | (182,292) |
| Maintenance and repairs | 1,398,443 | 900,388 | (498,055) |
| Other expenses | 2,770,113 | 2,521,501 | (248,612) |
| Depreciation / Amortization | 1,329,253 | 1,268,457 | (60,796) |
| Interest on debt | 242,892 | 276,194 | 33,302 |
| Total Expenses | <u>\$ 7,238,333</u> | <u>6,281,880</u> | <u>(956,453)</u> |
| Changes in Net Position | 3,363,379 | 2,046,944 | 1,316,435 |
| Net Position, Beginning | <u>21,931,711</u> | <u>19,884,767</u> | <u>2,046,944</u> |
| Net Position, Ending | <u>\$ 25,295,090</u> | <u>21,931,711</u> | <u>3,363,379</u> |

The District's total revenues increased by 21.44 percent (\$2,272,888) The total cost of all services increased by 13.21 percent (\$956,453).

Capital Assets

At June 30, 2022, the District had \$31,260,019 invested in capital assets, net of depreciation, including land, buildings, the water system, vehicles and equipment. The District purchased some capital assets in 2021-22, including water and sewer system improvements, relocation improvements, vehicles, and equipment, increasing total capital assets by \$3,971,285.

Long-Term Debt

The District is indebted to Oklahoma Water Resources Board on five notes obtained for extensive water and sewer system improvements and extensions and one note from First State Bank, Anadarko. The outstanding principal balance owed on the notes increased from \$12,060,415 to \$12,925,580 during the 2021-22 fiscal year. One of the ORWB notes is only

partially funded. This note has a principal amount of \$23,006,000 and will be funded as construction is completed on a new mechanical sewer (wastewater) plant and replacing lift stations.

Economic Factors and Next Year's Budget and Rates

The District will continue to accelerate payments on their long-term debt when possible.

The District's operating budget for fiscal year 2022-23 will remain much like previous years budgets.

A 3% rate increase, effective 10-1-22, will be used to keep up with the rising costs of water, chemicals, materials, supplies and labor.

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 9816 S. 239th East Ave., Broken Arrow, OK 74014 or call (918) 258-2331.



BLEDSON, HEWETT & GULLEKSON

CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

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

P.O. BOX 1310 • 101 N. MAIN 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
Wagoner County Rural Water District No. 4
Broken Arrow, 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 Wagoner County Rural Water District No. 4 (the District), Broken Arrow, Oklahoma, as of and for the year ended June 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 September 9, 2022.

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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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. Given these limitations, during our audit we did not identify any deficiencies in the internal controls that we consider to be 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 are 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

September 9, 2022

WAGONER COUNTY RURAL WATER DISTRICT NO. 4
Disposition of Prior Year's Significant Deficiencies
June 30, 2022

There were no prior year significant deficiencies.

WAGONER COUNTY RURAL WATER DISTRICT NO. 4
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion was issued on the financial statements.
2. The audit did not report any material weaknesses and did not report 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 were 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

WAGONER COUNTY RURAL WATER DISTRICT NO. 4

Statement of Net Position

June 30, 2022

| | JUNE 30, | |
|---|-----------------------------|-----------------------------|
| | 2022 | (memo only) 2021 |
| <u>ASSETS:</u> | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 4,107,638 | \$ 2,979,643 |
| Investments | 759,379 | 851,359 |
| Current portion of receivables | 980,295 | 794,840 |
| Prepaid assets | 113,695 | 103,707 |
| Total current assets | <u>5,961,007</u> | <u>4,729,549</u> |
| Noncurrent Assets: | | |
| Restricted cash- | | |
| Sinking funds for debt service | 594,354 | 516,692 |
| Capital Assets- | | |
| Land | 301,890 | 301,890 |
| Buildings, net | 27,937 | 41,783 |
| Plant, water and sewer systems, net | 29,834,875 | 27,398,748 |
| Automobiles and equipment, net | 1,095,317 | 806,480 |
| Total noncurrent assets | <u>31,854,373</u> | <u>29,065,593</u> |
| Other Assets: | | |
| Loan costs, net of depreciation | <u>518,339</u> | <u>587,425</u> |
| Total Assets | <u>\$ 38,333,719</u> | <u>\$ 34,382,567</u> |
| <u>LIABILITIES:</u> | | |
| Current Liabilities: | | |
| Accounts payable | \$ 77,361 | \$ 376,493 |
| Accrued liabilities | 35,688 | 13,948 |
| Current portion of long-term debt | 915,937 | 986,304 |
| Total current liabilities | <u>1,028,986</u> | <u>1,376,745</u> |
| Noncurrent Liabilities: | | |
| Long-term debt | <u>12,009,643</u> | <u>11,074,111</u> |
| Total Liabilities | <u>13,038,629</u> | <u>12,450,856</u> |
| <u>NET POSITION:</u> | | |
| Net investment in capital assets | 18,334,439 | 16,488,486 |
| Restricted assets | 594,354 | 516,692 |
| Unrestricted assets | <u>6,366,297</u> | <u>4,926,533</u> |
| Total Net Position | <u>25,295,090</u> | <u>21,931,711</u> |
| Total Liabilities and Net Position | <u>\$ 38,333,719</u> | <u>\$ 34,382,567</u> |

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

WAGONER COUNTY RURAL WATER DISTRICT NO. 4
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended June 30, 2022

| | <u>2021-22</u> | <u>(memo only)</u> <u>2020-21</u> |
|---|-----------------------------|--------------------------------------|
| Operating Revenues: | | |
| Water sales | \$ 5,093,210 | \$ 4,506,852 |
| Sewer sales | 2,481,168 | 2,192,175 |
| Other income from operations | 1,421,407 | 1,608,634 |
| Total revenue from operations | <u>8,995,785</u> | <u>8,307,661</u> |
| Operating Expenses: | | |
| Water costs and chemicals | 1,255,178 | 1,165,774 |
| Advertising | 6,077 | 0 |
| Professional fees | 41,725 | 31,303 |
| Repairs and maintenance | 1,398,443 | 900,388 |
| P-Card billing | 29,264 | 0 |
| Office | 29,091 | 19,994 |
| Postage | 67,117 | 64,497 |
| Salaries and payroll taxes | 1,497,932 | 1,315,340 |
| Contracted services | 36,781 | 35,737 |
| Director fees | 10,041 | 11,233 |
| Dues and licenses | 50,027 | 42,427 |
| Equipment rental | 10,810 | 10,899 |
| Insurance | 129,183 | 155,371 |
| Employee insurance | 474,483 | 442,285 |
| Travel | 50,904 | 5,129 |
| Utilities | 464,212 | 413,197 |
| Retirement | 47,250 | 34,910 |
| Automotive | 29,775 | 61,434 |
| Bad debt | 2,535 | 27,311 |
| Total expenses from operations | <u>5,630,828</u> | <u>4,737,229</u> |
| Operating Income (Loss) | 3,364,957 | 3,570,432 |
| Non-Operating Revenues (Expenses): | | |
| Unrealized gain (loss) on investments | (35,360) | 21,163 |
| ODOT Reimbursements | 1,605,927 | 0 |
| Interest paid on long-term debt | (242,892) | (276,194) |
| Depreciation expense | (1,260,167) | (1,199,371) |
| Amortization expense | (69,086) | (69,086) |
| Total Non-Operating Revenues (Expenses) | <u>(1,578)</u> | <u>(1,523,488)</u> |
| Change in Net Position | 3,363,379 | 2,046,944 |
| Total Net Position, beginning of period | <u>21,931,711</u> | <u>19,884,767</u> |
| Total Net Position, end of period | <u>\$ 25,295,090</u> | <u>\$ 21,931,711</u> |

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

WAGONER COUNTY RURAL WATER DISTRICT NO. 4**Statement of Cash Flows
For the Year Ended June 30, 2022**

| | <u>2021-22</u> | <u>(memo only) 2020-21</u> |
|---|----------------------------|--------------------------------|
| Cash Flows from Operating Activities: | | |
| Receipts from customers | \$ 8,647,879 | \$ 8,286,870 |
| Payments to employees | (1,497,932) | (1,315,340) |
| Payments to vendors | <u>(4,257,825)</u> | <u>(3,606,212)</u> |
| Net Cash Provided by Operating Activities | <u>2,892,122</u> | <u>3,365,318</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| Sale (purchase) of capital assets | (3,971,286) | (1,990,075) |
| ODOT Reimbursements | 1,605,927 | 0 |
| Loan proceeds received | 2,062,905 | 6,770,000 |
| Loan costs paid | 0 | (221,070) |
| Principal paid on long-term debt | (727,740) | (7,410,294) |
| Long-term debt adjustment | (545,295) | |
| Interest paid on long-term debt | <u>(230,939)</u> | <u>(411,006)</u> |
| Net Cash Provided by (used in) Capital and Related Financing Activities | <u>(1,806,428)</u> | <u>(3,262,445)</u> |
| Cash Flows from Investing Activities: | | |
| Purchase of investments | (35,586) | 17,319 |
| Change in sinking fund holdings | 77,662 | 1,401,050 |
| Interest earned on investments | <u>225</u> | <u>21,163</u> |
| Net Cash Provided by (used in) Investing Activities | <u>42,301</u> | <u>1,439,532</u> |
| Net Increase (Decrease) in Cash | 1,127,995 | 1,542,405 |
| Cash and cash equivalents, beginning of period | <u>2,979,643</u> | <u>1,437,238</u> |
| Cash and cash equivalents, end of period | <u>\$ 4,107,638</u> | <u>\$ 2,979,643</u> |

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

| | | |
|---|---------------------|---------------------|
| Net Operating Income (Loss) | \$ 3,364,957 | \$ 3,570,432 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (185,455) | 113,206 |
| (Increase) decrease in prepaid insurance | (9,988) | (15,598) |
| Increase (decrease) in accounts payable | (299,132) | (298,705) |
| Increase (decrease) in accruals | <u>21,740</u> | <u>(4,017)</u> |
| Net cash provided by operating activities | <u>\$ 2,892,122</u> | <u>\$ 3,365,318</u> |

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

WAGONER COUNTY RURAL WATER DISTRICT NO. 4

Broken Arrow, Oklahoma

Notes to the Financial Statements

June 30, 2022

Note A – Significant Accounting Policies

Nature of Organization

The Wagoner County Rural Water District No. 4 (the District) was created under the provisions of Title 82 of Oklahoma Statutes, Section 1324.1 – 1324.35 and the Laws of the State of Oklahoma. The purpose of this District is to provide water and sewer services to users.

Basis of Accounting

The accrual basis of accounting 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 follows GASB issued Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Government.” This statement established financial reporting requirements for state and local governments throughout the United States.

Cash and equivalents

The District’s cash accounts at June 30, 2022 are detailed as follows:

| | |
|-----------------------------|---------------------|
| Cash on hand | \$ 100 |
| Arvest Bank, Coweta, Ok- | |
| Operations account | 1,258,656 |
| Reserve account | 2,568,283 |
| Credit Card account | 38,415 |
| OWRB debt service account | 165,416 |
| Sewer account | 1,120 |
| Sewer debt service account | 169,372 |
| First Nat’l Bank of Coweta- | |
| Employee fund account | 36,879 |
| Plus: Outstanding deposits | 19,268 |
| Less: Outstanding checks | (149,871) |
| Total Cash | <u>\$ 4,107,638</u> |
| OWRB Debt Service: | |
| Bank of Oklahoma- | |
| Debt service accounts | <u>\$ 594,354</u> |

WAGONER COUNTY RURAL WATER DISTRICT NO. 4

Broken Arrow, Oklahoma

Notes to the Financial Statements

June 30, 2022

Note A – Significant Accounting Policies – cont'd

Investments

The District's investments are detailed as follows:

| | |
|----------------------------------|--------------------------|
| Edward Jones, Tulsa, Ok- | |
| Money Market | \$ 37,062 |
| Government Bonds | 438,661 |
| Certificates of Deposit | 233,656 |
| First Bank & Trust, Wagoner, Ok- | |
| Certificate of deposit no. 17106 | <u>50,000</u> |
| Total Investments | <u><u>\$ 759,379</u></u> |

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 June 30, 2022, the District held deposits of approximately \$5,592,874 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.

WAGONER COUNTY RURAL WATER DISTRICT NO. 4

Broken Arrow, Oklahoma

Notes to the Financial Statements

June 30, 2022

Note A – Significant Accounting Policies – cont'd

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).

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.

Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents excluding restricted cash.

Accounts Receivable

Billings for accounts receivable at June 30, 2022 were \$980,295. No allowance for doubtful accounts was computed because the effect of bad debts on the financial statements is not considered material.

WAGONER COUNTY RURAL WATER DISTRICT NO. 4
Broken Arrow, Oklahoma
Notes to the Financial Statements
June 30, 2022

Note A – Significant Accounting Policies – cont'd

Capital Assets

Any items purchased or constructed in excess of \$1,000 and a useful life of over two years is considered a capital (fixed) asset by the District, and will be depreciated over a specific time. Capital assets are valued at cost, depreciation is computed by use of the straight-line method. The estimated useful lives of these assets are as follows:

| | |
|-----------------------------|----------|
| Land | n/a |
| Office furniture & fixtures | 5 years |
| Equipment & tools | 5 years |
| Transportation equipment | 5 years |
| Water & sewer system | 40 years |
| Buildings | 25 years |
| Computer equipment | 3 years |

The capital asset information for the District is shown below:

| | 6/30/2021 Amount | Additions | Deletions | 6/30/2022 Amount |
|-----------------------------------|-----------------------------|-------------------------|-----------------|--------------------------|
| Land | \$ 301,890 | - | - | 301,890 |
| Buildings | 276,916 | - | - | 276,916 |
| Water & sewer sys. | 45,419,756 | 3,600,888 | - | 49,020,644 |
| Office equipment | 370,679 | - | - | 370,679 |
| Vehicles and equip. | 1,607,080 | 370,397 | - | 1,977,477 |
| Const. in progress | - | - | - | - |
| Total Capital Assets | 47,976,321 | 3,971,285 | - | 51,947,606 |
| Less: Accumulated Depreciation | <u>(19,427,420)</u> | <u>(1,260,167)</u> | <u>-</u> | <u>(20,687,587)</u> |
| Total | <u>\$ 28,548,901</u> | <u>2,711,118</u> | <u>-</u> | <u>31,260,019</u> |

Retirement and Deferred Compensation Plans

The District has no formal retirement plan, but does offer employees a qualified Section 457 Deferred Compensation Plan. The District matches employee's contributions up to \$300 per month. There are no post-employment benefits provided.

WAGONER COUNTY RURAL WATER DISTRICT NO. 4

Broken Arrow, Oklahoma

Notes to the Financial Statements

June 30, 2022

Note A – Significant Accounting Policies – cont'd

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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 these estimates.

WAGONER COUNTY RURAL WATER DISTRICT NO. 4**Broken Arrow, Oklahoma**

Notes to the Financial Statements

June 30, 2022

Note B – Long-Term Debt

Long-Term Debt consists of six long-term notes; five to the Oklahoma Water Resources Board and one to First State Bank, Anadarko. The proceeds from the note with First State Bank was used to pay off an existing Rural Development loan. The 2021 OWRB note is only partially funded. The principal amount of the note, \$23,006,000 will be funded as construction is completed on the new wastewater plant during the 2022-23 fiscal year.

The outstanding principal balances on these notes are as shown below:

| | June 30, | |
|---|---------------|------------|
| | 2022 | 2021 |
| First State Bank utility system revenue note series 2021A, issued for \$3,870,000, dated 2021, 3.50% interest, paid in monthly payments of \$2,502, until paid; | \$ 484,813 | 970,000 |
| Oklahoma Water Resources Board note payable, issued for \$14,835,000, dated 2020, 1.82% interest, paid in monthly payments to be determined, until paid off in 2048 (partially funded); | 2,062,905 | - |
| Oklahoma Water Resources Board utility system revenue note series 2021B, issued for \$2,900,000, dated 2021, 2.036% interest, paid in semi-annual payments of varying amounts, until paid off in 2038 | 2,845,000 | 2,900,000 |
| Oklahoma Water Resources Board note payable, issued for \$5,745,000, dated 2018, variable interest, paid in monthly payments of \$41,504, until paid; | 4,575,000 | 4,920,000 |
| Oklahoma Water Resources Board note payable, issued for \$6,200,000, dated 2010, variable interest, paid in monthly payments of \$33,921, until paid; | 2,708,827 | 2,953,380 |
| Oklahoma Water Resources Board note payable, issued for \$317,035, dated 2019, 2.01% interest, paid in semi-annual payments of varying amounts, until paid of in 2024; | 249,035 | 317,035 |
| Total Long-Term Debt | 12,925,580 | 12,060,415 |
| Less: Current maturities of long-term debt | (915,937) | (986,304) |
| Total Long-Term Debt, less current maturities | \$ 12,009,643 | 11,074,111 |

WAGONER COUNTY RURAL WATER DISTRICT NO. 4

Broken Arrow, Oklahoma

Notes to the Financial Statements

June 30, 2022

Note B – Long-Term Debt - cont'd

The scheduled maturities for the next five (5) years, and in total thereafter:

| Year | Total | 2021A | 2020 | 2021B | OWRB | OWRB | OWRB |
|---------|----------------------|----------------|------------------|------------------|------------------|------------------|----------------|
| 2023 | \$ 1,907,393 | 13,271 | 1,031,452 | 120,000 | 355,000 | 251,670 | 136,000 |
| 2024 | 1,901,997 | 13,698 | 1,031,453 | 125,000 | 360,000 | 258,811 | 113,035 |
| 2025 | 775,758 | 14,230 | - | 125,000 | 370,000 | 266,528 | - |
| 2026 | 809,021 | 14,736 | - | 135,000 | 385,000 | 274,285 | - |
| 2027 | 842,527 | 15,260 | - | 140,000 | 405,000 | 282,267 | - |
| 2028-32 | 4,470,028 | 84,762 | - | 795,000 | 2,215,000 | 1,375,266 | - |
| 2033-37 | 1,550,998 | 100,998 | - | 965,000 | 485,000 | - | - |
| 2038-42 | 560,292 | 120,292 | - | 440,000 | - | - | - |
| 2043+ | 107,566 | 107,566 | - | - | - | - | - |
| Total | <u>\$ 12,925,580</u> | <u>484,813</u> | <u>2,062,905</u> | <u>2,845,000</u> | <u>4,575,000</u> | <u>2,708,827</u> | <u>249,035</u> |

Note C – Other Contingencies

Risk Management

The District is exposed to various levels 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 a commercial blanket of coverage and worker's compensation for risk of loss.

There has been no significant reduction in the District's insurance coverage from the previous year. In addition, there have been no settlements in excess of the District's coverage in any of the prior three fiscal years.

Litigation

There are no known threatened or unasserted claims against the District.

Subsequent Events

Management has evaluated subsequent events through September 9, 2022, 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.

WAGONER COUNTY RURAL WATER DISTRICT NO. 4
Schedule of Water Rates and Customers
-Unaudited Information-
June 30, 2022

| <u>Water Loss (January-December)</u> | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Total gallons purchased and produced | 1,025,775,720 | 967,694,307 |
| Total gallons sold to District customers | <u>(958,952,729)</u> | <u>(893,989,348)</u> |
| Total water loss | <u>66,822,991</u> | <u>73,704,949</u> |
| Percentage of water loss | <u>6.51%</u> | <u>7.62%</u> |

Customers

The District had 13,209 water taps at the close of the fiscal year.

Sewer Rates

Green Country Sewer = \$44.00 monthly

Wagoner County RWD #4 = \$34.48 monthly

Residential Water Rates

0 to 2,000 Gallons = \$ 13.98 minimum

Over 2,000 Gallons = \$ 4.40 per thousand

0 to 2,000 Gallons = \$ 19.56 minimum (Haskell only)

Over 2,000 Gallons = \$ 6.19 per thousand (Haskell only)

Commercial Water Rates

0 to 2,000 Gallons = \$ 18.44 minimum

Over 2,000 Gallons = \$ 4.63 per thousand