

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

Financial Statements and Auditor's Reports

Year Ended June 30, 2023

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, 2023

BOARD OF DIRECTORS

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Charles Stinnett

Vice-Chairman

Gary Rogers

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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, 2023

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Table of Contents	2
Independent Auditor's Report	3
Management's Discussion and Analysis	6
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>	10
Disposition of Prior Year's Significant Deficiencies	12
Schedule of Audit Results, Findings and Questioned Costs	13
<u>COMBINED FINANCIAL STATEMENTS:</u>	
Statement of Net Position	14
Statement of Revenues, Expenses and Changes in Net Position	15
Statement of Cash Flows	16
Notes to Financial Statements	17
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
Water Rates and Customer Information (unaudited)	25



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the 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, 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 June 30, 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 24 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 September 15, 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

September 15, 2023

RURAL WATER DISTRICT NO. 4, WAGONER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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, 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 \$3,244,144.
- The District had total investments of \$867,887 with Edward Jones, which was a increase of approximately 108,508 from the 2022-23 fiscal year. This increase allowed the District to earn approximately \$130,000 in interest earnings during the year.
- 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 in the 2021-22 fiscal year. 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. The loan is approximately 47% funded as of June 30, 2023.
- Membership numbers continued to be strong in 2022-23, with over 13,500 total users at fiscal year-end. This was a 2.2% growth from the previous year. Substantial growth of the District is projected to continue.
- A rate increase of 3% was approved in 2022, effective 10-1-22. The District approved a tiered rate structure and rate adjustment that will take effect 7-1-23. 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 2022-23, increasing from \$25,295,090 to \$27,486,522. 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:

	2022-23	2021-22	Variances
Current and other assets	\$ 8,537,920	6,555,361	1,982,559
Capital assets, net	40,019,677	31,778,358	8,241,319
Total Assets	<u>\$ 48,557,597</u>	<u>38,333,719</u>	<u>10,223,878</u>
Current liabilities	\$ 1,015,941	1,028,986	13,045
Long-term liabilities	20,055,134	12,009,643	(8,045,491)
Total Liabilities	<u>\$ 21,071,075</u>	<u>13,038,629</u>	<u>(8,032,446)</u>
Invest. In capital assets, net of related debt	\$ 19,035,999	18,334,439	701,560
Restricted	644,411	594,354	50,057
Unrestricted	7,806,112	6,366,297	1,439,815
Total Net Position	<u>\$ 27,486,522</u>	<u>25,295,090</u>	<u>2,191,432</u>

Net Position of the District increased by 8.66 percent (\$27,486,522 compared to \$25,295,090). 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 \$6,366,297 to \$7,806,112.

Table 2 – Changes in Net Position:

	<u>2022-23</u>	<u>2021-22</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 8,325,432	7,574,378	751,054
Other revenue	743,872	865,899	(122,027)
Benefits units and installation	402,311	555,508	(153,197)
ODOT Reimbursements	882,388	1,605,927	(723,539)
Interest	131,950	-	131,950
Total Revenues	<u>\$ 10,485,953</u>	<u>10,601,712</u>	<u>(115,759)</u>
Expenses:			
Salaries, taxes and benefits	\$ 1,498,230	1,497,632	(598)
Maintenance and repairs	1,539,389	1,398,443	(140,946)
Other expenses	3,189,852	2,770,113	(419,739)
Depreciation / Amortization	1,565,688	1,329,253	(236,435)
Interest on debt	501,362	242,892	(258,470)
Total Expenses	<u>\$ 8,294,521</u>	<u>7,238,333</u>	<u>(1,056,188)</u>
Changes in Net Position	2,191,432	3,363,379	(1,171,947)
Net Position, Beginning	<u>25,295,090</u>	<u>21,931,711</u>	<u>3,363,379</u>
Net Position, Ending	<u>\$ 27,486,522</u>	<u>25,295,090</u>	<u>2,191,432</u>

The District's total revenues decreased by 1.09 percent (\$115,759) The total cost of all services increased by 14.59 percent (\$1,056,188).

Capital Assets

At June 30, 2023, the District had \$40,019,677 invested in capital assets, net of depreciation, including land, buildings, the water system, vehicles and equipment. The District purchased some capital assets in 2022-23, including water and sewer system improvements, relocation improvements, vehicles, and equipment, increasing total capital assets by \$10,256,260.

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 \$12,925,580 to \$20,983,678 during the 2022-23 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 2023-24 will remain much like previous years budgets.

A tiered rate structure and rate adjustment, effective 7-1-23, 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 • 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
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 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, 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 September 15, 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 have not been 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

September 15, 2023

WAGONER COUNTY RURAL WATER DISTRICT NO. 4
Disposition of Prior Year's Significant Deficiencies
June 30, 2023

There were no prior year significant deficiencies.

**WAGONER COUNTY RURAL WATER DISTRICT NO. 4
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

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, 2023

	JUNE 30,	
ASSETS:	2023	(memo only) 2022
Current Assets:		
Cash and cash equivalents	\$ 5,160,753	\$ 4,107,638
Investments	867,887	759,379
Current portion of receivables	1,304,565	980,295
Prepaid assets	111,051	113,695
Total current assets	7,444,256	5,961,007
Noncurrent Assets:		
Restricted cash-		
Sinking funds for debt service	644,411	594,354
Capital Assets-		
Land	301,890	301,890
Buildings, net	14,091	27,937
Plant, water and sewer systems, net	38,266,290	29,834,875
Automobiles and equipment, net	1,437,406	1,095,317
Total noncurrent assets	40,664,088	31,854,373
Other Assets:		
Loan costs, net of depreciation	449,253	518,339
Total Assets	\$ 48,557,597	\$ 38,333,719
LIABILITIES:		
Current Liabilities:		
Accounts payable	\$ 72,693	\$ 77,361
Accrued liabilities	14,704	35,688
Current portion of long-term debt	928,544	915,937
Total current liabilities	1,015,941	1,028,986
Noncurrent Liabilities:		
Long-term debt	20,055,134	12,009,643
Total Liabilities	21,071,075	13,038,629
NET POSITION:		
Net investment in capital assets	19,035,999	18,334,439
Restricted assets	644,411	594,354
Unrestricted assets	7,806,112	6,366,297
Total Net Position	27,486,522	25,295,090
Total Liabilities and Net Position	\$ 48,557,597	\$ 38,333,719

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, 2023

	2022-23	(memo only) 2021-22
Operating Revenues:		
Water sales	\$ 5,899,382	\$ 5,093,210
Sewer sales	2,426,050	2,481,168
Other income from operations	1,146,183	1,421,407
Total revenue from operations	9,471,615	8,995,785
Operating Expenses:		
Water costs and chemicals	1,717,090	1,255,178
Advertising	4,817	6,077
Professional fees	67,894	41,725
Repairs and maintenance	1,539,389	1,398,443
Miscellaneous	44,401	29,264
Office	45,947	29,091
Postage	71,253	67,117
Salaries and payroll taxes	1,498,230	1,497,932
Contracted services	38,472	36,781
Director fees	10,059	10,041
Dues and licenses	15,982	50,027
Equipment rental	1,670	10,810
Insurance	58,923	129,183
Employee insurance	488,529	474,483
Travel	6,921	50,904
Utilities	486,794	464,212
Retirement	40,800	47,250
Automotive	80,865	29,775
Bad debt	9,435	2,535
Total expenses from operations	6,227,471	5,630,828
Operating Income (Loss)	3,244,144	3,364,957
Non-Operating Revenues (Expenses):		
Interest income / Unrealized gain (loss) on investments	131,950	(35,360)
ODOT Reimbursements	882,388	1,605,927
Interest paid on long-term debt	(501,362)	(242,892)
Depreciation expense	(1,496,602)	(1,260,167)
Amortization expense	(69,086)	(69,086)
Total Non-Operating Revenues (Expenses)	(1,052,712)	(1,578)
Change in Net Position	2,191,432	3,363,379
Total Net Position, beginning of period	25,295,090	21,931,711
Total Net Position, end of period	\$ 27,486,522	\$ 25,295,090

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, 2023

	2022-23	(memo only) 2021-22
Cash Flows from Operating Activities:		
Receipts from customers	\$ 9,498,264	\$ 8,647,879
Payments to employees	(1,498,230)	(1,497,932)
Payments to vendors	(5,103,168)	(4,257,825)
Net Cash Provided by Operating Activities	2,896,866	2,892,122
Cash Flows from Capital and Related Financing Activities:		
Sale (purchase) of capital assets	(10,256,260)	(3,971,286)
ODOT Reimbursements	882,388	1,605,927
Loan proceeds received	8,934,039	2,062,905
Principal paid on long-term debt	(875,941)	(727,740)
Long-term debt adjustment	0	(545,295)
Interest paid on long-term debt	(501,361)	(230,939)
Net Cash Provided by (used in) Capital and Related Financing Activities	(1,817,135)	(1,806,428)
Cash Flows from Investing Activities:		
Purchase of investments	(223,000)	0
Change in sinking fund holdings	50,057	77,662
Interest earned on investments	146,327	(35,361)
Net Cash Provided by (used in) Investing Activities	(26,616)	42,301
Net Increase (Decrease) in Cash	1,053,115	1,127,995
Cash and cash equivalents, beginning of period	4,107,638	2,979,643
Cash and cash equivalents, end of period	\$ 5,160,753	\$ 4,107,638
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Net Operating Income (Loss)	\$ 3,244,144	\$ 3,364,957
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(324,270)	(185,455)
(Increase) decrease in prepaid insurance	2,644	(9,988)
Increase (decrease) in accounts payable	(4,668)	(299,132)
Increase (decrease) in accruals	(20,984)	21,740
Net cash provided by operating activities	\$ 2,896,866	\$ 2,892,122

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, 2023

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, 2023 are detailed as follows:

Cash on hand	\$ 100
Arvest Bank, Coweta, Ok-	
Operations account	1,258,930
Reserve account	3,689,583
Credit Card account	11,340
OWRB debt service account	1,017
Construction account	467,127
Project fund	422,438
First Nat'l Bank of Coweta-	
Employee fund account	37,483
Plus: Outstanding deposits	24,014
Less: Outstanding checks	<u>(751,279)</u>
Total Cash	<u>\$ 5,160,753</u>
OWRB Debt Service:	
Bank of Oklahoma-	
Debt service accounts	<u>\$ 644,411</u>

WAGONER COUNTY RURAL WATER DISTRICT NO. 4
Broken Arrow, Oklahoma
Notes to the Financial Statements
June 30, 2023

Note A – Significant Accounting Policies – cont’d

Investments

The District’s investments are detailed as follows:

Edward Jones, Tulsa, Ok-	
Money Market	\$ 10,786
Government Bonds	434,030
Certificates of Deposit	423,071
Total Investments	\$ 867,887

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, 2023, the District held deposits of approximately \$7,400,216 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, 2023

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, 2023 were \$1,304,565. 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, 2023

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:

	6/30/2022			6/30/2023
	Amount	Additions	Deletions	Amount
Land	\$ 301,890	-	-	301,890
Buildings	276,916	-	-	276,916
Water & sewer sys.	49,020,644	9,752,225	-	58,772,869
Office equipment	370,679	-	-	370,679
Vehicles and equip.	1,977,477	504,035	-	2,481,512
Total Capital Assets	51,947,606	10,256,260	-	62,203,866
Less: Accumulated Depreciation	(20,687,587)	(1,496,602)	-	(22,184,189)
Total	<u>\$ 31,260,019</u>	<u>8,759,658</u>	<u>-</u>	<u>40,019,677</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, 2023

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, 2023

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 2023-24 fiscal year.

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

	June 30,	
	2023	2022
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;	\$ 471,542	484,813
Oklahoma Water Resources Board note payable, issued for \$21,580,000, dated 2021, 1.82% interest, paid in monthly payments to be determined, until paid off in 2048 (partially funded);	10,996,944	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	2,725,000	2,845,000
Oklahoma Water Resources Board note payable, issued for \$5,745,000, dated 2018, variable interest, paid in monthly payments of \$41,504, until paid;	4,220,000	4,575,000
Oklahoma Water Resources Board note payable, issued for \$6,200,000, dated 2010, variable interest, paid in monthly payments of \$33,921, until paid;	2,457,157	2,708,827
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;	113,035	249,035
Total Long-Term Debt	20,983,678	12,925,580
Less: Current maturities of long-term debt	(925,844)	(915,937)
Total Long-Term Debt, less current maturities	\$ 20,057,834	12,009,643

WAGONER COUNTY RURAL WATER DISTRICT NO. 4
Broken Arrow, Oklahoma
Notes to the Financial Statements
June 30, 2023

Note B – Long-Term Debt - cont'd

The scheduled maturities for the next five years, and in five year totals thereafter:

Year	Total	2021A	2020	2021B	OWRB	OWRB	OWRB
2024	\$ 928,544	13,698	58,000	125,000	360,000	258,811	113,035
2025	950,758	14,230	175,000	125,000	370,000	266,528	-
2026	990,021	14,736	181,000	135,000	385,000	274,285	-
2027	1,023,527	15,260	181,000	140,000	405,000	282,267	-
2028	1,702,149	15,764	181,000	795,000	420,000	290,385	-
2029-33	5,351,697	87,816	1,719,000	180,000	2,280,000	1,084,881	-
2034-38	6,556,590	104,590	5,452,000	1,000,000	-	-	-
2039-43	3,399,514	124,570	3,049,944	225,000	-	-	-
2044+	80,878	80,878	-	-	-	-	-
Total	<u>\$ 20,983,678</u>	<u>471,542</u>	<u>10,996,944</u>	<u>2,725,000</u>	<u>4,220,000</u>	<u>2,457,157</u>	<u>113,035</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 15, 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.

WAGONER COUNTY RURAL WATER DISTRICT NO. 4
Broken Arrow, Oklahoma
Notes to the Financial Statements
June 30, 2023

Note C – Other Contingencies – cont’d

Dredging Project

The District had a dredging project to clean the Oneta Reservoir during the year. The District incurred costs of \$500,000 for this project but was reimbursed \$500,000 from Oneta Power Company for these costs. This project is not shown on the financial statements since the District was just a pass-through entity for Oneta Power Company.

WAGONER COUNTY RURAL WATER DISTRICT NO. 4
Schedule of Water Rates and Customers
-Unaudited Information-
June 30, 2023

<u>Water Loss</u> (January-December)	<u>2022</u>	<u>2021</u>
Total gallons purchased and produced	1,197,201,450	1,025,775,720
Total gallons sold to District customers	<u>(1,013,368,240)</u>	<u>(958,952,729)</u>
Total water loss	<u>183,833,210</u>	<u>66,822,991</u>
Percentage of water loss	<u>15.36%</u>	<u>6.51%</u>

Customers

The District had approximately 13,500 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 = \$ 14.40 minimum
Over 2,000 Gallons = \$ 4.53 per thousand
0 to 2,000 Gallons = \$ 20.15 minimum (Haskell only)
Over 2,000 Gallons = \$ 6.38 per thousand (Haskell only)

Commercial Water Rates

0 to 2,000 Gallons = \$ 18.99 minimum
Over 2,000 Gallons = \$ 4.77 per thousand
0 to 2,000 Gallons = \$ 26.59 minimum (Haskell only)
Over 2,000 Gallons = \$ 6.70 per thousand (Haskell only)