

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

Financial Statements and Auditor's Reports

Year Ended June 30, 2024

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, 2024

BOARD OF DIRECTORS

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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, 2024

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)	24



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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, 2024, 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, 2024, 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 6, 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

September 6, 2024

RURAL WATER DISTRICT NO. 4, WAGONER COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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, 2024. 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 \$4,640,919.
- The District had total investments of \$910,064 with Edward Jones, which allowed the District to earn approximately \$42,000 in interest earnings from this account. The District also earned approximately \$293,000 additional interest/dividend earnings from the other District bank accounts.
- The District continued paying on their existing long-term debt obligations and one loan was paid off during the year. The \$23,006,000 loan from OWRB for the new wastewater plant continues to be funded as construction is completed. The loan is approximately 76% funded as of June 30, 2024.
- Membership numbers continued to be strong in 2023-24, with over 14,100 total users at fiscal year-end. This was a 4.3% growth from the previous year. Substantial growth of the District is projected to continue.
- A tiered rate structure and rate adjustment was approved in 2023, effective 7-1-23. The increased revenues were 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 2023-24, increasing from \$27,486,522 to \$30,419,107. 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:

	2023-24	2022-23	Variances
Current and other assets	\$ 10,865,944	8,537,920	2,328,024
Capital assets, net	46,255,309	40,019,677	6,235,632
Total Assets	<u>\$ 57,121,253</u>	<u>48,557,597</u>	<u>8,563,656</u>
Current liabilities	\$ 1,085,729	1,015,941	(69,788)
Long-term liabilities	25,616,417	20,055,134	(5,561,283)
Total Liabilities	<u>\$ 26,702,146</u>	<u>21,071,075</u>	<u>(5,631,071)</u>
Invest. In capital assets, net of related debt	\$ 19,690,315	19,035,999	654,316
Restricted	582,592	644,411	(61,819)
Unrestricted	10,146,200	7,806,112	2,340,088
Total Net Position	<u>\$ 30,419,107</u>	<u>27,486,522</u>	<u>2,932,585</u>

Net Position of the District increased by 10.67 percent (\$30,419,107 compared to \$27,486,522). 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 \$7,806,112 to \$10,146,200.

Table 2 – Changes in Net Position:

	2023-24	2022-23	Variances
Revenues:			
Charges for services	\$ 9,132,255	8,325,432	806,823
Other revenue	850,579	743,872	106,707
Benefits units and installation	574,800	402,311	172,489
ODOT Reimbursements	354,214	882,388	(528,174)
Interest	335,445	131,950	203,495
Total Revenues	<u>\$ 11,247,293</u>	<u>10,485,953</u>	<u>761,340</u>
Expenses:			
Salaries, taxes and benefits	\$ 1,576,893	1,498,230	(78,663)
Maintenance and repairs	1,194,979	1,539,389	344,410
Other expenses	3,144,842	3,189,852	45,010
Depreciation / Amortization	1,823,643	1,565,688	(257,955)
Interest on debt	574,351	501,362	(72,989)
Total Expenses	<u>\$ 8,314,708</u>	<u>8,294,521</u>	<u>(20,187)</u>
Changes in Net Position	2,932,585	2,191,432	741,153
Net Position, Beginning	<u>27,486,522</u>	<u>25,295,090</u>	<u>2,191,432</u>
Net Position, Ending	<u>\$ 30,419,107</u>	<u>27,486,522</u>	<u>2,932,585</u>

The District's total revenues increased by 7.26 percent (\$761,340) The total cost of all services increased by 0.24 percent (\$20,187).

Capital Assets

At June 30, 2024, the District had \$46,255,309 invested in capital assets, net of depreciation, including land, buildings, the water system, vehicles and equipment. The District purchased some capital assets in 2023-24, including water and sewer system improvements, relocation improvements, vehicles, and equipment, increasing total capital assets by \$8,019,215.

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 \$20,983,678 to \$26,564,994 during the 2023-24 fiscal year. One loan was paid off during the year. One of the OWRB 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 2024-25 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.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 6, 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 (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 6, 2024

WAGONER COUNTY RURAL WATER DISTRICT NO. 4
Disposition of Prior Year's Significant Deficiencies
June 30, 2024

There were no prior year significant deficiencies.

**WAGONER COUNTY RURAL WATER DISTRICT NO. 4
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024**

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, 2024

	JUNE 30,	
	2024	(memo only) 2023
<u>ASSETS:</u>		
Current Assets:		
Cash and cash equivalents	\$ 7,507,214	\$ 5,160,753
Investments	910,064	867,887
Current portion of receivables	1,163,678	1,304,565
Prepaid assets	117,278	111,051
Total current assets	<u>9,698,234</u>	<u>7,444,256</u>
Noncurrent Assets:		
Restricted cash-		
Sinking funds for debt service	582,592	644,411
Capital Assets-		
Land	301,890	301,890
Buildings, net	0	14,091
Plant, water and sewer systems, net	44,433,107	38,266,290
Automobiles and equipment, net	1,520,312	1,437,406
Total noncurrent assets	<u>46,837,901</u>	<u>40,664,088</u>
Other Assets:		
Loan costs, net of depreciation	<u>585,118</u>	<u>449,253</u>
Total Assets	<u>\$ 57,121,253</u>	<u>\$ 48,557,597</u>
<u>LIABILITIES:</u>		
Current Liabilities:		
Accounts payable	\$ 113,966	\$ 72,693
Accrued liabilities	23,186	14,704
Current portion of long-term debt	948,577	928,544
Total current liabilities	<u>1,085,729</u>	<u>1,015,941</u>
Noncurrent Liabilities:		
Long-term debt	<u>25,616,417</u>	<u>20,055,134</u>
Total Liabilities	<u>26,702,146</u>	<u>21,071,075</u>
<u>NET POSITION:</u>		
Net investment in capital assets	19,690,315	19,035,999
Restricted assets	582,592	644,411
Unrestricted assets	<u>10,146,200</u>	<u>7,806,112</u>
Total Net Position	<u>30,419,107</u>	<u>27,486,522</u>
Total Liabilities and Net Position	<u>\$ 57,121,253</u>	<u>\$ 48,557,597</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, 2024

	2023-24	(memo only) 2022-23
Operating Revenues:		
Water sales	\$ 7,600,682	\$ 6,842,273
Sewer sales	1,513,666	1,483,159
Other income from operations	1,443,285	1,146,183
Total revenue from operations	<u>10,557,633</u>	<u>9,471,615</u>
Operating Expenses:		
Water costs and chemicals	1,499,435	1,717,090
Advertising	5,093	4,817
Professional fees	67,947	67,894
Repairs and maintenance	1,197,979	1,539,389
Miscellaneous	50,932	44,401
Office	43,033	45,947
Postage	78,014	71,253
Salaries and payroll taxes	1,576,893	1,498,230
Contracted services	44,746	38,472
Director fees	9,143	10,059
Dues and licenses	29,218	15,982
Equipment rental	795	1,670
Insurance	123,675	58,923
Employee insurance	534,922	488,529
Travel	9,544	6,921
Utilities	483,454	486,794
Retirement	53,290	40,800
Automotive	88,777	80,865
Bad debt	19,824	9,435
Total expenses from operations	<u>5,916,714</u>	<u>6,227,471</u>
Operating Income (Loss)	4,640,919	3,244,144
Non-Operating Revenues (Expenses):		
Interest income / Unrealized gain (loss) on investments	335,445	131,950
ODOT Reimbursements	354,215	882,388
Interest paid on long-term debt	(574,351)	(501,362)
Depreciation expense	(1,783,584)	(1,496,602)
Amortization expense	(40,059)	(69,086)
Total Non-Operating Revenues (Expenses)	<u>(1,708,334)</u>	<u>(1,052,712)</u>
Change in Net Position	2,932,585	2,191,432
Total Net Position, beginning of period	<u>27,486,522</u>	<u>25,295,090</u>
Total Net Position, end of period	<u>\$ 30,419,107</u>	<u>\$ 27,486,522</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, 2024**

	2023-24	(memo only) 2022-23
Cash Flows from Operating Activities:		
Receipts from customers	\$ 10,658,951	\$ 9,498,264
Payments to employees	(1,576,892)	(1,498,230)
Payments to vendors	(4,256,725)	(5,103,168)
Net Cash Provided by Operating Activities	4,825,334	2,896,866
Cash Flows from Capital and Related Financing Activities:		
Sale (purchase) of capital assets	(8,019,215)	(10,256,260)
ODOT Reimbursements	354,214	882,388
Loan proceeds received	6,551,394	8,934,039
Principal paid on long-term debt	(970,079)	(875,941)
Interest paid on long-term debt	(551,164)	(501,361)
Net Cash Provided by (used in) Capital and Related Financing Activities	(2,634,850)	(1,817,135)
Cash Flows from Investing Activities:		
Purchase of investments	0	(223,000)
Change in sinking fund holdings	(61,819)	50,057
Interest earned on investments	217,796	146,327
Net Cash Provided by (used in) Investing Activities	155,977	(26,616)
Net Increase (Decrease) in Cash	2,346,461	1,053,115
Cash and cash equivalents, beginning of period	5,160,753	4,107,638
Cash and cash equivalents, end of period	\$ 7,507,214	\$ 5,160,753
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Net Operating Income (Loss)	\$ 4,640,919	\$ 3,244,144
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	140,887	(324,270)
(Increase) decrease in prepaid insurance	(6,227)	2,644
Increase (decrease) in accounts payable	41,273	(4,668)
Increase (decrease) in accruals	8,482	(20,984)
Net cash provided by operating activities	\$ 4,825,334	\$ 2,896,866

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, 2024

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, 2024 are detailed as follows:

Cash on hand	\$ 100
Arvest Bank, Coweta, Ok-	
Operations account	1,882,468
Reserve account	5,105,450
Credit Card account	5,683
OWRB debt service account	1,020
Construction account	141,361
Project fund	888,628
BancFirst, Coweta, OK-	
Employee fund account	44,514
Plus: Outstanding deposits	31,652
Less: Outstanding checks	<u>(593,662)</u>
Total Cash	<u>\$ 7,507,214</u>
OWRB Debt Service:	
Bank of Oklahoma-	
Debt service accounts	<u>\$ 582,592</u>

WAGONER COUNTY RURAL WATER DISTRICT NO. 4
Broken Arrow, Oklahoma
Notes to the Financial Statements
June 30, 2024

Note A – Significant Accounting Policies – cont'd

Investments

The District's investments are detailed as follows:

Edward Jones, Tulsa, Ok-	
Money Market	\$ 8,629
Government Bonds	713,127
Certificates of Deposit	<u>188,308</u>
Total Investments	<u>\$ 910,064</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, 2024, the District held deposits of approximately \$8,651,816 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, 2024

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, 2024 were \$1,163,678. 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, 2024

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:

	6/30/2023 Amount	Additions	Deletions	6/30/2024 Amount
Land	\$ 301,890	-	-	301,890
Buildings	276,916	-	-	276,916
Water & sewer sys.	58,772,869	7,702,923	-	66,475,792
Office equipment	370,679	-	-	370,679
Vehicles and equip.	2,481,512	316,293	-	2,797,805
Total Capital Assets	62,203,866	8,019,216	-	70,223,082
Less: Accumulated Depreciation	(22,184,189)	(1,783,584)	-	(23,967,773)
Total	<u>\$ 40,019,677</u>	<u>6,235,632</u>	<u>-</u>	<u>46,255,309</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 \$500 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, 2024

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, 2024

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, \$21,580,000, will be funded as construction is completed on the new wastewater plant during the 2024-25 fiscal year.

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

	June 30,	
	<u>2024</u>	<u>2023</u>
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;	\$ 457,844	471,542
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);	17,490,338	10,996,944
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	2,600,000	2,725,000
Oklahoma Water Resources Board note payable, issued for \$5,745,000, dated 2018, variable interest, paid in monthly payments of \$41,504, until paid;	3,818,465	4,220,000
Oklahoma Water Resources Board note payable, issued for \$6,200,000, dated 2010, variable interest, paid in monthly payments of \$33,921, until paid;	2,198,347	2,457,157
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 off in 2024;	<u>-</u>	<u>113,035</u>
Total Long-Term Debt	26,564,994	20,983,678
Less: Current maturities of long-term debt	<u>(948,577)</u>	<u>(928,544)</u>
Total Long-Term Debt, less current maturities	<u>\$ 25,616,417</u>	<u>20,055,134</u>

WAGONER COUNTY RURAL WATER DISTRICT NO. 4
Broken Arrow, Oklahoma
Notes to the Financial Statements
June 30, 2024

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
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	1,057,149	15,764	181,000	150,000	420,000	290,385
2029	1,083,299	16,364	188,000	150,000	430,000	298,935
2030-34	6,125,717	89,305	2,582,000	860,000	1,808,465	785,947
2035-39	6,750,944	109,944	5,601,000	1,040,000	-	-
2040-44	6,719,995	128,995	6,591,000	-	-	-
2045+	1,863,584	53,246	1,810,338	-	-	-
Total	<u>\$ 26,564,994</u>	<u>457,844</u>	<u>17,490,338</u>	<u>2,600,000</u>	<u>3,818,465</u>	<u>2,198,347</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 6, 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.

WAGONER COUNTY RURAL WATER DISTRICT NO. 4
Schedule of Water Rates and Customers
-Unaudited Information-
June 30, 2024

<u>Water Loss (January-December)</u>	<u>2023</u>	<u>2022</u>
Total gallons purchased and produced	1,185,074,244	1,276,765,650
Total gallons sold to District customers	(1,069,302,278)	(1,079,220,555)
Total water loss	<u>115,771,966</u>	<u>197,545,095</u>
Percentage of water loss	<u>9.77%</u>	<u>15.47%</u>

Customers

The District had approximately 14,191 water taps at the close of the fiscal year.

Sewer Rates

Green Country Sewer = \$44.00 monthly
Wagoner County RWD #4 = \$36.58 monthly
Commercial Sewer = \$58.53 monthly & \$1.75 per 1,000 Gallons

Residential Water Rates

0 to 2,000 Gallons = \$ 16.50 minimum
Over 2,000 Gallons = \$ 4.60 per thousand (\$0.25 increase for each additional 5,000 Gallons)
0 to 2,000 Gallons = \$ 22.00 minimum (Haskell only)
Over 2,000 Gallons = \$ 6.45 per thousand (Haskell only) (\$0.25 increase for each additional 5,000 Gallons)

Commercial Water Rates

0 to 2,000 Gallons = \$ 21.00 minimum
Over 2,000 Gallons = \$ 4.85 per thousand (\$0.25 increase for each additional 5,000 Gallons)
0 to 2,000 Gallons = \$ 28.50 minimum (Haskell only)
Over 2,000 Gallons = \$ 6.80 per thousand (Haskell only) (\$0.25 increase for each additional 5,000 Gallons)