

# Wagoner Public Works Authority

A COMPONENT UNIT OF THE CITY OF WAGONER, OKLAHOMA

P.O. BOX 406  
City Offices 918-485-2554

Wagoner, Oklahoma 74477  
City Clerk 918-485-4586

## FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019



**WAGONER PUBLIC WORKS AUTHORITY**

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**June 30, 2020 and 2019**

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## Independent Auditors' Report

To the City Council  
Wagoner Public Works Authority  
Wagoner, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of Wagoner Public Works Authority, of the City of Wagoner, State of Oklahoma, as of and for the years ended June 30, 2020 and 2019, and the related notes to the 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 in accordance with accounting principles generally accepted in the United States of America; this includes 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 an opinion 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 audit 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 from 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 auditors' 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 entity'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 entity'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 audit opinion.



## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wagoner Public Works Authority, of the City of Wagoner, State of Oklahoma as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages I through VI 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 supplementary 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 basic 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.

### ***Disclaimer of Opinion on Supplementary Information***

The budgetary comparison information on page 20, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021, on our consideration of the Wagoner Public Works Authority'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 Wagoner Public Works Authority'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 Wagoner Public Works Authority's internal control over financial reporting and compliance.



Clothier & Company, CPA's, P.C.

March 31, 2021

# Wagoner Public Works Authority

P.O. Box 406 Wagoner, Oklahoma 74477

City Offices 485-2554 • City Clerk 485-4586 • Fax 485-4748

## Management's Discussion and Analysis For Year Ended June 30, 2020

As management of the Wagoner Public Works Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2020. The Authority implemented Governmental Accounting Standards Board Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

### Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$13,864,736 (net assets). Of this amount, \$4,578,122 (unrestricted net assets) may be used to meet the authority's ongoing obligations to citizens and creditors in accordance with the Authority's fund designation and fiscal policies.
- The Authority's total net assets increased by \$276,945 for fiscal year end, and historically increased by \$411,771 for 2018/19, and increased by \$121,750 for 2017/18.
- The Authority's total liabilities were \$11,370,426 at the end of the 2019/20 fiscal year, a decrease of \$270,817 from \$11,641,243 for the 2018/19 fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) unit-wide financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Authority operates a utility service in a proprietary fund.

**Unit-wide financial statements** – The authority-wide financial statements are designed to provide readers with a broad overview of the Authority's finance, in a manner similar to a private sector business.

The statement of fund net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses and changes in fund net position presents information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

The business-type activities of the Authority include Sanitation, Water, Sewer, and Electric.

The financial statements can be found on pages 5 through 8 of this report.

**Proprietary Funds** – The Authority maintains one proprietary fund. The Authority uses a proprietary fund to account for all its water, sewer, electric, and sanitation operations.

**Notes to the Financial Statements** - The footnote section provides additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9 through 16 of this report.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budget versus actual. Required supplementary information can be found on page 20 of this report.

### **Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. In the case of the Wagoner Public Works Authority, assets exceeded liabilities by \$13,864,736 as of June 30, 2020.

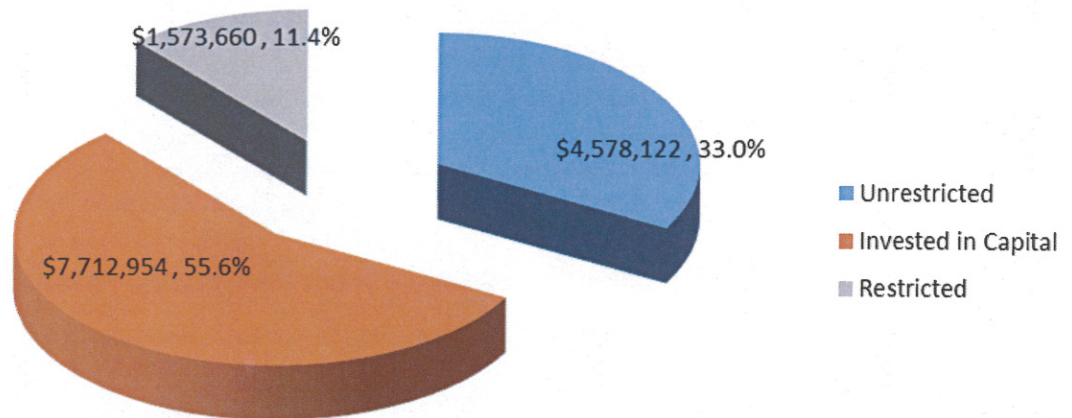
The largest portion of the Authority's net assets, 55.6%, (as compared to 58.3% in 2019) is invested in capital assets. The Authority uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Restricted net assets of the Authority are 11.4% (as compared to 11.3% in 2019) of total net assets and are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets 33.0% (as compared to 30.4% in 2019) may be used to meet the authority's ongoing obligation to citizens and creditors.

As of June 30, 2020, the Authority is able to report positive balances in all three categories of net assets.

The implementation of GASB Statement 34 requires the Authority to present comparable information in the various analyses.

### WPWA's Net Assets

	<u>June 30,</u> <u>2020</u>	<u>June 30,</u> <u>2019</u>	<u>Increase</u> <u>(Decrease)</u>
Current assets	\$6,261,400	\$5,665,601	\$595,799
Capital assets and other assets	18,973,762	19,563,433	(589,671)
<b>Total Assets</b>	<u>\$25,235,162</u>	<u>\$25,229,034</u>	<u>\$6,128</u>
Current liabilities	\$2,243,810	\$2,049,509	\$194,301
Long term liabilities	9,126,616	9,591,734	(465,118)
<b>Total Liabilities</b>	<u>\$11,370,426</u>	<u>\$11,641,243</u>	<u>(\$270,817)</u>
<b>Net assets:</b>			
Invested in capital assets, net of debt	\$7,712,954	\$7,910,102	(\$197,148)
Restricted	1,573,660	1,541,447	32,213
Unrestricted	4,578,122	4,136,242	441,880
<b>Total Net Assets</b>	<u>\$13,864,736</u>	<u>\$13,587,791</u>	<u>\$276,945</u>

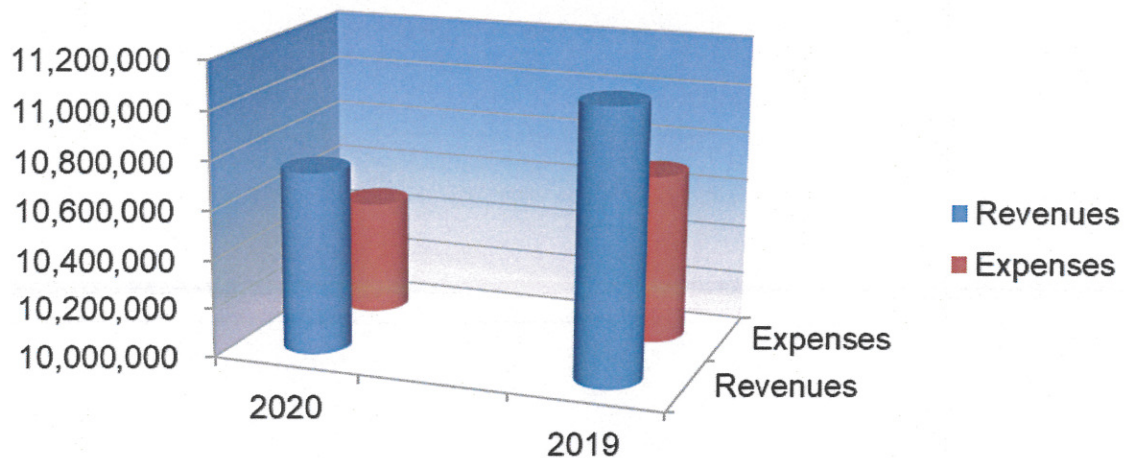


**Analysis of the Authority's Operations** – The following table provides a summary of the Authority's operations for the years ended June 30, 2020 and 2019. Business activities increased the Authority's net assets by \$276,945.



## Wagoner Public Works Authority's Changes in Net Assets

<b>Revenues:</b>	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Program Revenues:			
Charges for services	10,654,302	10,922,802	(268,500)
Non-Operating Income	4,199	98,322	(94,123)
General revenues:			
Investment earnings	83,606	79,409	4,197
<b>Total Revenues</b>	<u>10,742,107</u>	<u>11,100,533</u>	<u>(358,426)</u>
<b>Expenses:</b>			
Utility and supporting services	9,314,937	9,535,282	(220,345)
Interest expense	307,643	331,665	(24,022)
Depreciation	842,582	821,815	20,767
<b>Total expenses</b>	<u>10,465,162</u>	<u>10,688,762</u>	<u>(223,600)</u>
<b>Increase (Decrease) in net assets</b>	276,945	411,771	(134,826)
<b>Net assets – July 1</b>	<u>13,587,791</u>	<u>13,176,020</u>	<u>411,771</u>
<b>Net assets- June 30</b>	<u><u>13,864,736</u></u>	<u><u>13,587,791</u></u>	<u><u>276,945</u></u>



## Debt Administration

At the end of the current fiscal year, the Authority had a total notes payable of \$9,679,733 as compared to \$10,109,745 at the end of the prior year. This is a decrease of \$430,012. In 2009, the Authority obtained a note along with debt forgiveness credits applied through the American Recovery and Reinvestment Act to construct improvements to the water line infrastructure. In 2012, The Authority refinanced the 2005 OWRB note and entered into a new note for the purpose of installing an automatic meter reading system throughout our service area. In August of 2013, the Authority signed a promissory note with OWRB in the amount of \$7,710,000 to expand and improve the WPWA's Water Treatment Plant.

### Outstanding Debt at Year End Bonds and Notes Payable

	Balance 7/1/2019	Proceeds	Principal Payment	Balance 6/30/2020
OWRB Loan FAP-13-0002L	1,605,000	0	380,000	1,225,000
OWRB Note 8-29-12 OIP	19,621	0	10,738	8,883
Debt Defeasance Costs	(49,571)	0	(27,129)	(22,442)
OWRB ORF-09-0029-DW	536,007	0	39,435	496,572
OWRB Note 2012A	623,599	0	63,352	560,247
OWRB NOTE 8/26/13	7,343,473	0	20,000	7,323,473
American Bank-Jetter	16,318	0	16,318	0
American Bank-Chipper	15,298	0	15,298	0
BancFirst - Bucket Truck	0	88,000	0	88,000
	<u>10,109,745</u>	<u>88,000</u>	<u>518,012</u>	<u>9,679,733</u>

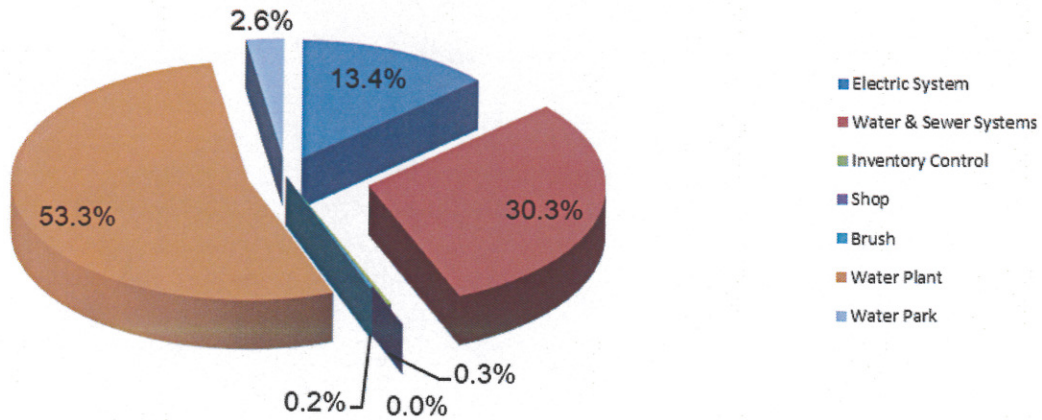
## Capital Assets

The following is a description of significant capital assets and the changes during the current year.

	Cost	Additions/ Deletions	Accumulated Depreciation	Ending
Electric System	6,162,147	188,437	(4,018,844)	2,331,740
Water & Sewer Systems	12,326,940	20,164	(7,085,755)	5,261,349
Inventory Control	125,892	0	(81,745)	44,147
Shop	112,611	0	(105,796)	6,815
Brush	60,414	0	(22,654)	37,760
Water Plant	12,027,487	0	(2,761,001)	9,266,486
Water Park	1,036,300	0	(591,910)	444,390
	<u>31,851,791</u>	<u>208,601</u>	<u>(14,667,705)</u>	<u>17,392,687</u>



Fixed Assets-Book Value



### Financial Analysis of Authority Funds

The budget reflected on Page 20 of the report indicates a variance between final budget and actual amounts for the Authority. The original budget did not change to final budget for the year.

### Economic Factors and Next Year's Budget and Rates.

- A three percent cost of living raise was given across the board. Raises were given to select employees for obtaining new licenses.
- The WPWA had undergone a utility rate study during FY 2019-20 and there was an electric, water, and sewer rate increase scheduled for July, 2020. The pandemic brought many unknowns to our community last year. The WPWA felt like it was not an appropriate time to increase rates.
- As of March, 2021 budgeted revenues have been on target despite the pandemic.
- At times, the WPWA was working with less employees due to quarantine precautions.
- Supplies and fuel costs have increased due to the pandemic, weather related issues, etc.

**WAGONER PUBLIC WORKS AUTHORITY**  
**Statement of Fund Net Position**  
**June 30, 2020 and 2019**

	<b>ASSETS</b>	
	2020	2019
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,169,122	\$ 4,393,016
Accounts receivable(net)	501,651	650,043
Interest receivable	2,052	20,599
Inventory	521,714	536,219
Due from other funds	66,861	65,724
<b>Total Current Assets</b>	6,261,400	5,665,601
<b>Capital Assets</b>		
Inventory control	125,892	125,892
Shop	112,611	112,611
Water & sewer system	12,347,104	12,326,939
Water plant	12,027,487	12,027,487
Electric system	6,350,584	6,162,147
Water park	1,036,300	1,036,300
Brush	60,414	60,414
Accumulated depreciation	(14,667,705)	(13,831,944)
<b>Total Capital Assets</b>	17,392,687	18,019,846
<b>Other Assets</b>		
Restricted cash	1,573,660	1,541,442
Debt issue costs(net)	7,415	2,145
<b>Total Other Assets</b>	1,581,075	1,543,587
<b>Total Assets</b>	\$ 25,235,162	\$ 25,229,034

See accompanying notes and independent auditors' report.

**WAGONER PUBLIC WORKS AUTHORITY**  
**Statement of Fund Net Position**  
**June 30, 2020 and 2019**

**LIABILITIES AND NET ASSETS**

	2020	2019
<b>Current Liabilities</b>		
Accounts payable	\$ 463,339	\$ 441,819
Other payables	723,462	680,408
Due to other funds	211,033	176,972
Salaries and benefits payable	197,299	133,602
Current maturities	553,117	518,012
Interest payable	95,560	98,696
<b>Total Current Liabilities</b>	2,243,810	2,049,509
<b>Long Term Liabilities</b>		
Notes payable	9,679,733	10,109,746
Less: current maturities	(553,117)	(518,012)
<b>Total Long Term Liabilities</b>	9,126,616	9,591,734
<b>Net Position</b>		
Net invested in capital assets	7,712,954	7,910,102
Restricted for deposits/loan	905,714	896,307
Restricted for other purposes	667,946	645,140
Unrestricted net assets	4,578,122	4,136,242
<b>Total Net Position</b>	13,864,736	13,587,791
<b>Total Liabilities and Net Position</b>	\$ 25,235,162	\$ 25,229,034

See accompanying notes and independent auditors' report.

**WAGONER PUBLIC WORKS AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Year Ended June 30, 2020 and 2019**

	2019	2019
<b>Revenue</b>		
Charges for services	\$ 10,654,302	\$ 10,922,802
<b>Total Revenue</b>	10,654,302	10,922,802
 <b>Operating Expenses</b>		
Water plant	466,575	458,296
Water distribution	415,714	465,941
Water disposal	392,467	355,437
Water disposal distribution	285,297	290,755
Electric distribution	5,511,775	5,997,524
Electric office	1,745,672	1,517,185
Shop	191,828	182,875
Inventory control	57,526	54,240
Brush department	207,791	177,776
Capital project fund expense	22,194	428
Bad debt expense	18,098	34,825
Depreciation expense	842,582	821,815
<b>Total Operating Expenses</b>	10,157,519	10,357,097
<b>Operating Income</b>	496,783	565,705
 <b>Other Income (Expenses)</b>		
Interest income	83,606	79,409
Other income	4,199	98,322
Interest expense	(307,643)	(331,665)
<b>Total Other Income</b>	(219,838)	(153,934)
 <b>Change in Net Position</b>	\$ 276,945	\$ 411,771

See accompanying notes and independent auditors' report.

**Statement of Cash Flows**  
**Year Ended June 30, 2020 and 2019**

	2020	2019
<b>Cash Flows From Operating Activities:</b>		
Receipts from Customers	\$ 10,821,241	\$ 11,005,675
Payment to Suppliers	(7,615,415)	(8,095,247)
Payment to Employees	(1,559,882)	(1,515,677)
<b>Net Cash Provided by Operating Activities</b>	<b>1,645,944</b>	<b>1,394,751</b>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Other NonOperating Receipts	4,199	98,322
Interest Paid on Long Term Debt	(307,643)	(331,665)
Increase in inter-fund payables	32,924	19,390
<b>Net Cash (Used) by Noncapital Financing Activities</b>	<b>(270,520)</b>	<b>(213,953)</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Proceeds from Issuance of Debt	88,000	0
Payment of Debt	(518,013)	(505,128)
Disposal of Asset		0
Purchase of Capital Assets	(215,423)	(196,841)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(645,436)</b>	<b>(701,969)</b>
<b>Cash Flows From Investing Activities:</b>		
Receipts of Interest and Dividends	83,606	79,409
(Increase) Decrease in Cash Reserve	(37,488)	112,526
<b>Net Cash Provided by Investing Activities</b>	<b>46,118</b>	<b>191,935</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>776,106</b>	<b>670,764</b>
Cash and Cash Equivalents at Beginning of Year	4,393,016	3,722,252
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 5,169,122</b>	<b>\$ 4,393,016</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 496,783	\$ 565,705
Adjustments to reconcile operating income to net cash provided by operating activities:		
Add Depreciation Expense	842,582	821,815
(Increase) Decrease Current Assets		
(Increase) Decrease Receivables, net	166,939	82,873
(Increase) Decrease Inventories	14,505	(2,112)
Increase (Decrease) Current Liabilities		
Increase (Decrease) Accounts payable	18,384	(88,977)
Increase (Decrease) Accrued liabilities	106,751	20,882
Increase (Decrease) Other liabilities	0	(5,435)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 1,645,944</b>	<b>\$ 1,394,751</b>

See accompanying notes and independent auditors' report.

**WAGONER PUBLIC WORKS AUTHORITY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020 and 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

REPORTING ENTITY

Wagoner Public Works Authority (WPWA) is a public trust and a component unit of the City of Wagoner, Oklahoma. The WPWA was created in 1972 in the interest of the public health and for the purpose of providing adequate sewer and drainage facilities in the City of Wagoner. The WPWA is governed by a board of 8 trustees. The WPWA is managed by a director and supervisors and utilizes the accounting office of the City to maintain its accounting records.

PROPRIETARY FUND ACCOUNTING

The financial statements of the Wagoner Public Works Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities, the Authority has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*.

Gross Revenue Fund

The Gross Revenue Fund accounts for the activities of the Wagoner Public Works Authority in much the same way that a private business would account for its activities. The intent of which being that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Authority provides electric service, water service, sewer service, and refuse collections for the residents of Wagoner, Oklahoma.

BASIS OF PRESENTATION

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This Statement provides for the most significant change in financial reporting in over twenty years and required implementation by Wagoner Public Works Authority for fiscal years ending after June 15, 2003.

In June 2001, GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*, which in part addressed the need to reevaluate certain existing disclosure requirements in the context of the reporting model in Statement No. 34. Wagoner Public Works Authority implemented Statement No. 38 in conjunction with Statement No. 34 in a previous year.

In July 2019, the Wagoner Public Works Authority, during the budgetary process, decided it would be more representative to allocate certain expenses such as Transfer to Ambulance and Refuse Collection from Water Distribution and Water Disposal respectively to Electric Office. Accordingly, the income statement for year ending June 30, 2019 has been restated for comparative purposes related to these expenses.

BASIS OF ACCOUNTING

The Authority utilizes the accrual basis of accounting for its business-type activities. Under this method, revenues are recorded when earned and expenses when incurred. The financial statements are presented using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the utility system are included on the statement of net assets. Total net position is segregated into 1) amounts invested in plant, infrastructure and facilities, net of related debt, 2) restricted for payment of loan principal and interest and 3) unrestricted. Operating statements present increases and decreases in net position.

BUDGETS AND BUDGETARY ACCOUNTING

The Board of Trustees of the Authority follows these procedures in establishing the budgetary data reflected in the financial statements:



**WAGONER PUBLIC WORKS AUTHORITY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020 and 2019**

- A. The Wagoner Public Works Authority voluntarily submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the two preceding years. The budget is submitted in summary form. In addition, more detailed line item budgets are included for administrative control.
- B. Public hearings are conducted to obtain taxpayer comment.
- C. Prior to June 30 the budget is legally enacted through passage of an ordinance.
- D. The Public Works secretary is required to present a monthly report to the Board of Trustees showing any variance from the approved budget.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents include all highly liquid debt instruments with maturities of three months or less at the date of their acquisition. Funds held in reserve are not considered to be part of cash.

ACCOUNTS RECEIVABLE

The Authority is principally a utility provider including electric, water, sewer and sanitation services to the residents of the City of Wagoner, Oklahoma. The Authority grants credit to customers, most of who are residential homes, under credit terms that the Authority believes are customary in the industry. Deposits are obtained from customers based on the Authorities policies as to type of customer.

Operating revenues are defined as those revenues generated directly from the primary activity of services provided by the Wagoner Public Utilities Authority. Non-operating revenues are those generated by non utility services such as interest income or disposal of equipment. Revenues are recognized when there is persuasive evidence of an arrangement, delivery has occurred, the price has been fixed or is determinable, and collectability can be reasonably assured. The Authority provides allowances for expected doubtful accounts based upon historical bad debt.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Additions, renewals, and betterments over \$500 are capitalized whereas expenditures for maintenance and repairs are charged to expense. The cost and related accumulated depreciation of assets retired or sold are removed from the appropriate asset and depreciation accounts, and the resulting gain or loss is reflected in income.

It is the policy of the Authority to provide depreciation based on the estimated useful life of the individual units of property and equipment. The depreciation methods and the estimated useful lives used as the basis for the application of those methods are as follows:

<u>Description</u>	<u>Method</u>	<u>Estimated Useful Life</u>
Building and improvements.....	Straight-line.....	40 Years
Vehicles.....	Straight-line.....	5 Years
Electric, sewer & water systems & improvements.....	Straight-line.....	40 Years
Equipment.....	Straight-line.....	10 Years

INVENTORIES

Items in inventory consist of finished goods to be used for the repair and maintenance of the utility infrastructure. The items are not for sale. Inventories are stated at cost. A physical inventory is taken at the end of the year. Due to the implementation of Statement No. 34, Wagoner Public Works Authority has also done an inventory of small equipment that is not capitalized.

INVESTMENTS

Investments are stated at cost, which approximates market. Investment income consists of interest and dividends.

**WAGONER PUBLIC WORKS AUTHORITY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020 and 2019**

METER DEPOSITS

Meter Deposits consist of deposits paid for the use of water and electric meters by citizens of Wagoner. The cash is deposited in BancFirst as well as certificates of deposits at BancFirst and Armstrong Bank. By law these deposits are either applied against their account or are refunded when the depositor moves from the address where the meter is located.

COMPENSATED ABSENCES

A total of 30 days vacation may be accumulated by each employee and carried over to the next year. Accrued vacation is recorded as a liability of the Authority. When an employee is terminated or quits, accumulated vacation is paid. The Authority will pay twenty-five dollars for each unused accrued sick leave day to a maximum of one hundred days at either: death, disability retirement, retirement at age 65 or older, or early retirement age 55 or older, plus 10 years of continuous service. When an employee is terminated or quits, they are not paid for the accrued sick leave. As of June 30, 2020 the Public Works Authority had unrecorded sick leave of \$203,937.

**2. ECONOMIC DEPENDENCY**

The Wagoner Public Works Authority is dependent on the Grand River Dam Authority (G.R.D.A.) for their purchase of electricity used for re-sale. For the year ended June 30, 2020, the Wagoner Public Works Authority purchased \$3,974,673 worth of electricity from G.R.D.A. compared to \$4,476,646 at June 30, 2019.

**3. CASH AND INVESTMENTS**

The Wagoner Public Works Authority maintains depository accounts with BancFirst and Armstrong Bank for use by individual funds. Investments consist of Certificates of Deposit, all of which are kept with the same banks noted above. Armstrong Bank utilizes their CDARS program to obtain a better return on interest for the Authority. For custodial credit risk each depository maintains segregated collateral in an amount proportionate to its deposits. Funds restricted for debt service are maintained by BOK Trust Services, an outside custodian.

**4. ACCOUNTS RECEIVABLE**

	<u>2020</u>	<u>2019</u>
Due from customers	\$ 742,414	842,635
Allowance for bad accounts	(202,448)	(181,588)
Other receivables	<u>(38,315)</u>	<u>(11,004)</u>
Total	<u>\$ 501,651</u>	<u>650,043</u>

Other receivables are unapplied credits and AMP Plan receivable.

**WAGONER PUBLIC WORKS AUTHORITY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020 and 2019**

**5. PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2020:

	Cost	Additions/ Deletions	Accumulated Depreciation	Ending
Electric System	6,162,147	188,437	(4,018,844)	2,331,740
Water & Sewer Systems	12,326,940	20,164	(7,085,755)	5,261,349
Inventory Control	125,892	0	(81,745)	44,147
Shop	112,611	0	(105,796)	6,815
Brush	60,414	0	(22,654)	37,760
Water Plant	12,027,487	0	(2,761,001)	9,266,486
Water Park	1,036,300	0	(591,910)	444,390
	<u>31,851,791</u>	<u>208,601</u>	<u>(14,667,705)</u>	<u>17,392,687</u>

Property and equipment as of June 30, 2019:

	Cost	Additions/ Deletions	Accumulated Depreciation	Ending
Electric System	6,156,434	5,713	(3,805,717)	2,356,430
Water & Sewer Systems	12,141,610	185,329	(6,804,908)	5,522,031
Inventory Control	125,892	0	(79,364)	46,528
Shop	106,811	5,800	(101,439)	11,172
Brush	60,414	0	(16,613)	43,801
Water Plant	12,027,487	0	(2,457,928)	9,569,559
Water Park	1,036,300	0	(565,975)	470,325
	<u>31,654,948</u>	<u>196,842</u>	<u>(13,831,944)</u>	<u>18,019,846</u>

**6. TRANSFERS**

The Gross Revenue Fund regularly transfers money and assets to and from the City of Wagoner funds. During the year ended June 30, 2020 the following transfers were made from the Gross Revenue Fund.

	2020	2019
Emergency Medical Services	\$ 584,840	\$ 452,000
City of Wagoner - Operations	601,000	600,999
Capital Projects Fund	18,504	0
City of Wagoner - Utilities	83,269	116,833
Emergency Medical Services - Utilities	10,533	13,127
Transfer Out	<u>\$ 1,298,146</u>	<u>\$ 1,182,959</u>
Transfer In	<u>\$ 21,156</u>	<u>\$ 98,171</u>

The transfers out are recorded in the Electric Distribution operating expenses and the transfers in are recorded in the Capital Project Fund.

**WAGONER PUBLIC WORKS AUTHORITY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020 and 2019**

**7. CONCENTRATION OF CREDIT RISK**

The Wagoner Public Works Authority and the City of Wagoner maintains their bank accounts in three banks located in Oklahoma. Demand accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000 and non-demand accounts are also guaranteed up to \$250,000.

Both the City and Wagoner Public Works Authority have the same treasurer and therefore share both the FDIC insurance and the Letters of Credit. The FDIC insurance and Letters of Credit are large enough to cover both organizations bank balances at year end.

**8. LONG TERM DEBT**

**OWRB 2008 Stimulus Loan** - On September 15, 2009 the Wagoner Public Works Authority signed a promissory note with the Oklahoma Water Resources Board in the sum of \$1,200,000. The purpose of this promissory note is to construct improvements to the water system of Wagoner Public Works Authority. Interest is to accrue at the rate of 2.203% per annum plus an administrative fee of 0.5% per annum. The loan is carried on the books of Wagoner Public Works Authority net of debt forgiveness credits applied through the American Recovery and Reinvestment Act. Payments are remitted semi-annually every March and September 15th. The Authority has pledged and assigned the revenues and receipts derived from the operations of water, sanitary sewer, solid waste management and electric systems as security. The balance as of June 30, 2020 was \$496,572.

**OWRB Water Plant Loan** - On August 27, 2012 the Wagoner Public Works Authority signed a 10 year promissory note with the Oklahoma Water resources Board in the sum of \$4,250,000. The purpose of this promissory note was the refinancing of the May 3, 2005 loan. Interest is to accrue at an average fixed rate of 2.66%. The Authority has pledged and assigned the revenues and receipts derived from the operations of water, sanitary sewer, solid waste management, and electric systems as security. The balance as of June 30, 2020 was \$1,225,000.

Debt defeasance costs include a payoff premium on the old loan and a deposit to cover the payment of interest on the old loan from August 27, 2012 to October 1, 2014.

In addition to the debt defeasance cost Wagoner Public Works Authority incurred debt issuance costs of \$158,828, which are made up of: a) OWRB Administrative Fees of \$13,470, b) Underwriter's Discount of \$16,658, c) Legal and professional fees of \$108,315 and d) other costs of \$20,385.

Both the debt defeasance costs and the debt issuance costs are deferred and amortized over the life of the new debt using the effective interest method. Debt payable is reported net of the applicable premium and debt defeasance costs. Amortization for the current year was \$10,738 for OIP and \$27,129 for DDC. The current year interest expense in the financial statements includes amortization of debt defeasance cost and original issue premium of \$8,513 and debt issue costs totaling \$21,508.

**OWRB 2012a Loan** - On November 15, 2012, the Wagoner Public Works Authority signed a promissory note with the Oklahoma Water Resources Board in the sum of \$1,200,000. The purpose of this promissory note was for improvements to the drinking water system. Interest is to accrue at the fixed rate of 1.67% per annum inclusive of administrative fees of one half of one percent. The Authority has pledged and assigned the revenues and receipts derived from the operations of water, sanitary sewer, solid waste management, and electric systems as security. Semi-annual payments of principal, interest and administrative fees are to be paid directly to OWRB's trustee bank every March and September 15<sup>th</sup>. The balance as of June 30, 2020 was \$560,247.

**OWRB 2013 Loan** - On August 26, 2013, the Wagoner Public Works Authority signed a promissory note with the Oklahoma Water Resources Board in the sum of \$7,710,000. The purpose of this promissory note was the construction of improvements to the drinking water system. This note shall bear interest at a rate of 3.12% per annum plus an administrative fee at the rate of 0.5% per annum on the outstanding balance of disbursed loan proceeds. The interest and administrative fee payments shall be made on a semi-annual basis, commencing on March 15, 2014 and continuing each March 15 and September 15 thereafter for the term of the loan. The principal repayment shall begin on the earlier of March 15 and September 15 following the project completion date or September 15, 2018 and shall continue semiannually for the term of the loan. The Authority has pledged and assigned the revenues and receipts derived from the operations of water, sanitary sewer, solid waste management, and electric systems as security. The balance as of June 30, 2020 was \$7,323,473.

**WAGONER PUBLIC WORKS AUTHORITY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020 and 2019**

**AMERICAN BANK** - On September 26, 2016 the Wagoner Public Works Authority signed a promissory note with American Bank in Wagoner, Oklahoma for the sum of \$48,000. The purpose of this promissory note was to purchase equipment (Jetter). The note shall bear interest at a rate of 2% per annum, with three annual payments of \$16,644.23 that began on September 26, 2017. The balance was fully paid as of June 30, 2020.

**AMERICAN BANK** - On October 14, 2016 the Wagoner Public Works Authority signed a promissory note with American Bank in Wagoner, Oklahoma for the sum of \$45,000. The purpose of this promissory note was to purchase equipment (Chipper). The note shall bear interest at a rate of 2% per annum, with three annual payments of \$16,803.98 that began on October 14, 2017. The balance was fully paid as of June 30, 2020.

**BANCFIRST** - On January 3, 2020 the Wagoner Public Works Authority signed a promissory note with BancFirst in Wagoner, Oklahoma for the sum of \$88,000. The purpose of this promissory note was to purchase equipment (Bucket Truck). The note shall bear interest at a rate of 2.9% per annum, with two annual payments of \$44,000 with first installment payable on January 3, 2021. The balance as of June 30, 2020 is \$88,000.

Long term debt as of June 30, 2020:

	Balance 7/1/2019	Proceeds	Principal Payment	Balance 6/30/2020
OWRB Loan FAP-13-0002L	1,605,000	0	380,000	1,225,000
OWRB Note 8-29-12 OIP	19,621	0	10,738	8,883
Debt Defeasance Costs	(49,571)	0	(27,129)	(22,442)
OWRB ORF-09-0029-DW	536,007	0	39,435	496,572
OWRB Note 2012A	623,599	0	63,352	560,247
OWRB NOTE 8/26/13	7,343,473	0	20,000	7,323,473
American Bank-Jetter	16,318	0	16,318	0
American Bank-Chipper	15,299	0	15,299	0
BancFirst - Bucket Truck	0	88,000	0	88,000
	<u>10,109,746</u>	<u>88,000</u>	<u>518,013</u>	<u>9,679,733</u>

Long term debt as of June 30, 2019:

	Balance 6/30/2018	Proceeds	Principal Payment	Balance 6/30/2019
OWRB Loan FAP-13-0002L	1,980,000	0	375,000	1,605,000
OWRB Note 8-29-12 OIP	33,489	0	13,868	19,621
Debt Defeasance Costs	(84,608)	0	(35,037)	(49,571)
OWRB ORF-09-0029-DW	574,293	0	38,286	536,007
OWRB Note 2012A	685,615	0	62,016	623,599
OWRB NOTE 8/26/13	7,363,473	0	20,000	7,343,473
American Bank-Jetter	32,316	0	15,998	16,318
American Bank-Chipper	30,296	0	14,997	15,299
	<u>10,614,874</u>	<u>0</u>	<u>505,128</u>	<u>10,109,746</u>

**WAGONER PUBLIC WORKS AUTHORITY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020 and 2019**

Debt service requirements as of June 30, 2020:

	Current Maturities	Debt Service
2021	553,117	891,833
2022	756,920	1,068,013
2023	912,872	1,194,452
2024	509,069	768,537
2025	527,338	768,539
2026-2030	2,924,397	3,844,568
2031-2035	3,496,020	3,858,604
Thereafter	0	0
<b>Total</b>	<b>9,679,733</b>	<b>12,394,545</b>

Debt service requirements as of June 30, 2019:

	Current Maturities	Debt Service
2020	518,012	877,133
2021	509,116	845,238
2022	712,919	1,022,718
2023	912,872	1,194,452
2024	509,069	768,536
2025-2029	2,825,180	3,843,028
2030-2034	3,371,604	3,856,914
2035-2039	750,974	771,766
Thereafter	0	0
<b>Total</b>	<b>10,109,746</b>	<b>13,179,786</b>

#### 9. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from these estimates.

#### 10. CONTINGENT LIABILITY

The Wagoner Public Works Authority is guarantor on a loan for the Wagoner Hospital Authority. The loan was made with First Bank & Trust Company, which is now BancFirst, in Wagoner, Oklahoma for the amount of \$3,000,000 on July 13, 2007. Wagoner Public Works collateralizes the note with its receipts and assets. As of June 30, 2020 the balance owed was \$2,751,525. The Authority signed a Guaranty Agreement with First Bank & Trust Company on December 6, 2016 for a loan dated July 27, 2015 for \$1,000,000 for Wagoner Hospital Authority. The balance as of June 30, 2020 was \$388,623. There does not appear to be a reasonable probability the Wagoner Hospital Authority will default and Wagoner Public Works Authority will become liable for the balance.



**WAGONER PUBLIC WORKS AUTHORITY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020 and 2019**

**11. RETIREMENT PLAN**

The underwriter and plan administrator for the Wagoner Public Works Authority's retirement plan is the New York Life Insurance Company. The plan is a defined contribution plan. The City Clerk and Human Resources Director are the trustees for the plan. The plan is qualified under Code Sec. 401 only to the extent provided in Rev. Proc. 2005-16.

The contribution types are employer non-elective profit sharing contributions and after-tax voluntary employee contributions. The employer has a fixed contribution equal to 8% of compensation of participants eligible to share in allocations. For the year ending June 30, 2020, retirement plan contributions paid by the Wagoner Public Works Authority totaled \$113,204.

An employee becomes eligible after 6 months of regularly full time employment in the relevant eligibility computation period. The employee cannot be covered by another qualified employer benefit plan to which the employer contributes. Normal retirement age is considered 65 and early retirement age is considered 55.

Allocation of earnings with respect to the amount which are not subject to participant investment direction and which are contributed to the plan after the valuation date will be determined by using a weighted average based on the amount of time that has passed between the date a contribution or distribution is made and prior valuation date.

Upon termination of employment, distributions under the plan may be made in lump-sum cash distributions. Distributions in excess of \$5,000 may be made as soon as administratively feasible. Distribution in amounts less than \$5,000 will be made in the same manner.

Hardship distributions are allowed under the plan. Distributions upon death prior to receiving any benefits shall be made pursuant to the election of the participant's beneficiary.

**12. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date the financial statements were available to be issued and no event was found that needed disclosed. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.



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**Independent Auditors' 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*.**

To the City Council  
Wagoner Public Works Authority  
Wagoner, Oklahoma

We have audited, in accordance with the 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 business-type activities of the Wagoner Public Works Authority (the Authority) as of and for the year ended June 30, 2020 and 2019, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated March 31, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statement 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

considered 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 Authority's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 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 in 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.



Clothier & Company, CPA's, P.C.  
March 31, 2021

Required Supplementary Information

**WAGONER PUBLIC WORKS AUTHORITY**  
**Budget to Actual Comparison**  
**Year Ended June 30, 2020**

<u>GENERAL FUND</u>	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>Revenue Summary</b>				
	\$ 13,191,675	\$ 13,191,675	\$ 10,742,107	\$ 2,449,568
Adjustments	0	0	0	0
Total Revenue	13,191,675	13,191,675	10,742,107	2,449,568
<b>Expenditure Summary</b>				
Water Plant	893,499	893,499	487,731	405,768
Water Distribution	1,213,290	1,213,290	415,714	797,576
Water Disposal	553,594	553,594	392,467	161,127
Electric Distribution	7,552,726	7,552,726	5,511,775	2,040,951
Electric Office	1,875,704	1,875,704	1,745,672	130,032
Shop	217,179	217,179	192,866	24,313
Inventory Control	68,186	68,186	57,526	10,660
Water Disposal-Distribution	543,151	543,151	285,297	257,854
Brush	268,846	268,846	207,791	61,055
Total Expenditures	13,186,175	13,186,175	9,296,839	3,889,336
<b>Adjustments to Expenditures</b>				
Interest Expense	0	0	307,643	(307,643)
Depreciation Expense	0	0	842,582	(842,582)
Bad Debt Expense	0	0	18,098	(18,098)
Total adjustments	0	0	1,168,323	(1,168,323)
Total Expenditures	13,186,175	13,186,175	10,465,162	2,721,013
Excess of Revenue Over (Under) Expenditures	5,500	5,500	276,945	(271,445)

See accompanying independent auditors' report.