

# 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  
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## ANNUAL REPORT

JUNE 30, 2021 and 2020

**WAGONER PUBLIC WORKS AUTHORITY**

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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, 2021 and 2020, 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, 2021 and 2020, 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 February 15, 2022, 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.  
February 15, 2022

# 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, 2021

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, 2021. 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 \$14,212,078 (net assets). Of this amount, \$4,994,745 (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 \$347,342 for fiscal year end, and historically increased by \$276,945 for 2019/20, and increased by \$411,771 for 2018/19.
- The Authority's total liabilities were \$10,876,586 at the end of the 2020/21 fiscal year, a decrease of \$493,840 from \$11,370,426 for the 2019/20 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 1 through 4 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 \$14,212,078 as of June 30, 2021.

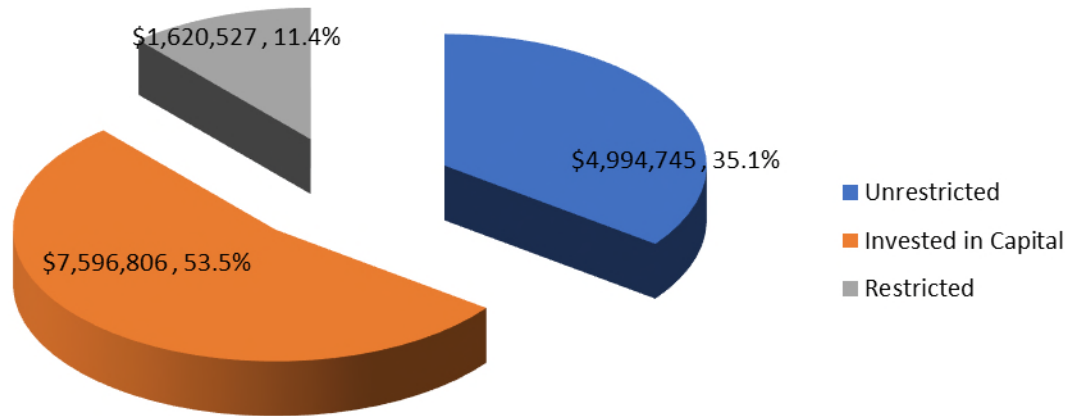
The largest portion of the Authority's net assets, 53.5%, (as compared to 55.6% in 2020) is invested in capital assets. The Authority uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Restricted net assets of the Authority are 11.4% (as compared to 11.4% in 2020) of total net assets and are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets 35.1% (as compared to 33.0% in 2020) may be used to meet the authority's ongoing obligation to citizens and creditors.

As of June 30, 2021, 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**

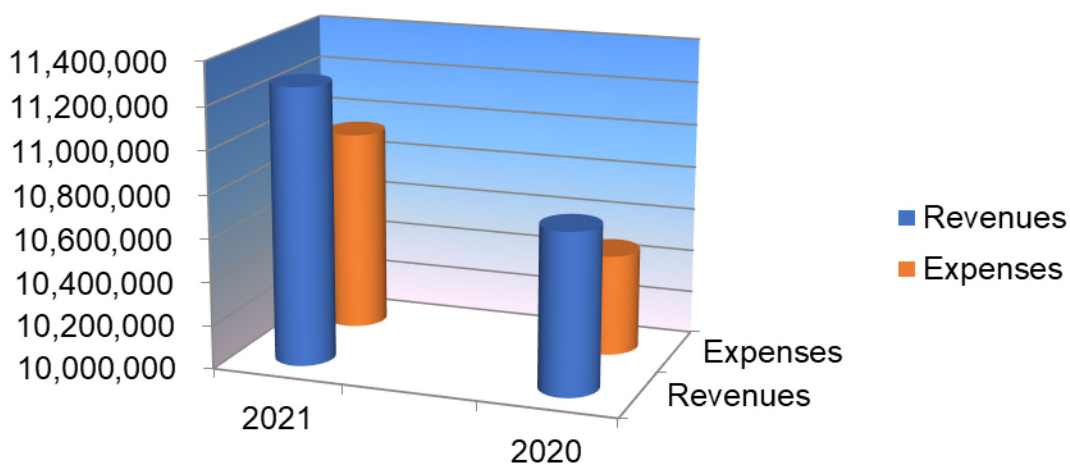
	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>Increase (Decrease)</b>
Current assets	\$6,739,704	\$6,261,400	\$478,304
Capital assets and other assets	<u>18,348,960</u>	<u>18,973,762</u>	<u>(624,802)</u>
<b>Total Assets</b>	<b><u>\$25,088,664</u></b>	<b><u>\$25,235,162</u></b>	<b><u>(\$146,498)</u></b>
Current liabilities	\$2,506,889	\$2,243,810	\$263,079
Long term liabilities	<u>8,369,697</u>	<u>9,126,616</u>	<u>(756,919)</u>
<b>Total Liabilities</b>	<b><u>\$10,876,586</u></b>	<b><u>\$11,370,426</u></b>	<b><u>(\$493,840)</u></b>
Net assets:			
Invested in capital assets, net of debt	\$7,596,806	\$7,712,954	(\$116,148)
Restricted	1,620,527	1,573,660	46,867
Unrestricted	<u>4,994,745</u>	<u>4,578,122</u>	<u>416,623</u>
<b>Total Net Assets</b>	<b><u>\$14,212,078</u></b>	<b><u>\$13,864,736</u></b>	<b><u>\$347,342</u></b>



**Analysis of the Authority's Operations** – The following table provides a summary of the Authority's operations for the years ended June 30, 2021 and 2020. Business activities increased the Authority's net assets by \$347,342.

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

<b>Revenues:</b>	<b>2021</b>	<b>2020</b>	<b>Increase (Decrease)</b>
Program Revenues:			
Charges for services	11,150,216	10,654,302	495,914
Non-Operating Income	23,626	4,199	19,427
Capital grants and contributions	0	0	0
General revenues:			0
Investment earnings	78,520	83,606	(5,086)
Transfer- in	25,000	0	(25,000)
<b>Total Revenues</b>	<b>11,277,362</b>	<b>10,742,107</b>	<b>485,255</b>
<b>Expenses:</b>			
Utility and supporting services	9,777,574	9,314,937	462,637
Interest expense	298,904	307,643	(8,739)
Depreciation	853,542	842,582	10,960
<b>Total expenses</b>	<b>10,930,020</b>	<b>10,465,162</b>	<b>464,858</b>
 Increase (Decrease) in net assets	 347,342	 276,945	 70,397
 Net assets – July 1	 13,864,736	 13,587,791	 276,945
 Net assets- June 30	 <u>14,212,078</u>	 <u>13,864,736</u>	 <u>347,342</u>





## Debt Administration

At the end of the current fiscal year, the Authority had total notes payable of \$9,126,617 as compared to \$9,679,733 at the end of the prior year. This is a decrease of \$553,116. 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

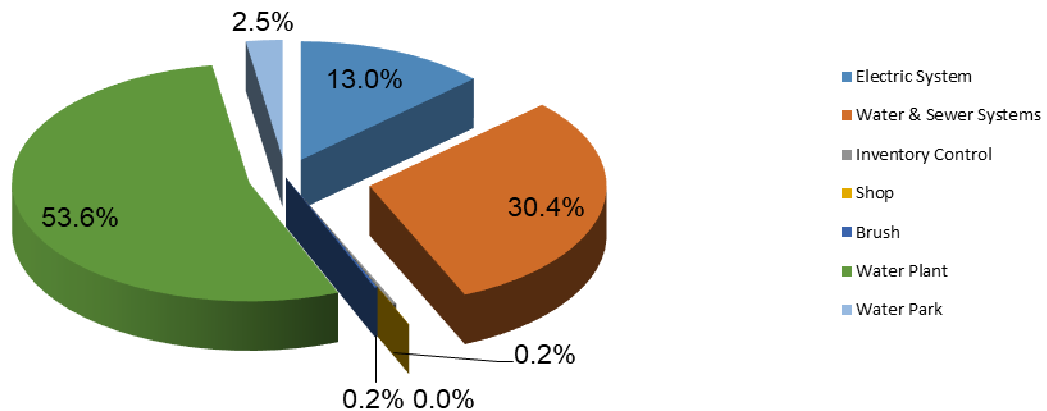
	Balance 7/1/2020	Proceeds	Principal Payment	Balance 6/30/2021
OWRB Loan FAP-13-0002L	1,225,000	0	395,000	830,000
OWRB Note 8-29-12 OIP	8,883	0	7,455	1,428
Debt Defeasance Costs	(22,442)	0	(18,835)	(3,607)
OWRB ORF-09-0029-DW	496,572	0	40,708	455,864
OWRB Note 2012A	560,247	0	64,788	495,459
OWRB NOTE 8/26/13	7,323,473	0	20,000	7,303,473
BancFirst - Bucket Truck	88,000	0	44,000	44,000
	<u>9,679,733</u>	<u>0</u>	<u>553,116</u>	<u>9,126,617</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	6,350,584	67,700	(4,242,470)	2,175,814
Water & Sewer Systems	12,347,104	113,698	(7,376,157)	5,084,645
Inventory Control	125,892	0	(84,126)	41,766
Shop	112,611	0	(108,794)	3,817
Brush	60,414	0	(28,695)	31,719
Water Plant	12,027,487	2,880	(3,063,160)	8,967,207
Water Park	1,036,300	0	(617,845)	418,455
	<u>32,060,392</u>	<u>184,278</u>	<u>(15,521,247)</u>	<u>16,723,423</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.

- 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 and the WPWA felt like it was not an appropriate time to increase rates. The increased rates went into effect November 2021.
- The WPWA paid off the “2012 OWRB Water Plant Refinance” and obtained a \$5,040,000 low interest OWRB loan for stormwater improvements. The stormwater project will begin Spring 2022 with an anticipated construction time of twelve to eighteen months.
- Supplies and fuel costs have increased due to the pandemic, weather related issues, etc.
- A three percent cost of living raise was given across the board. Raises were given to select employees for obtaining new licenses.

**WAGONER PUBLIC WORKS AUTHORITY**  
**Statement of Fund Net Position**  
**June 30, 2021 and 2020**

	<b>ASSETS</b>	
	2021	2020
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,541,699	\$ 5,169,122
Accounts receivable(net)	616,447	501,651
Interest receivable	668	2,052
Inventory	518,429	521,714
Due from other funds	62,461	66,861
	<b>6,739,704</b>	<b>6,261,400</b>
<b>Capital Assets</b>		
Inventory control	125,892	125,892
Shop	112,611	112,611
Water & sewer system	12,460,802	12,347,104
Water plant	12,030,367	12,027,487
Electric system	6,418,284	6,350,584
Water park	1,036,300	1,036,300
Brush	60,414	60,414
Accumulated depreciation	(15,521,247)	(14,667,705)
	<b>16,723,423</b>	<b>17,392,687</b>
<b>Other Assets</b>		
Restricted cash	1,620,527	1,573,660
Debt issue costs(net)	5,010	7,415
	<b>1,625,537</b>	<b>1,581,075</b>
	<b>Total Assets</b>	<b>Total Assets</b>
	<b>\$ 25,088,664</b>	<b>\$ 25,235,162</b>

See accompanying notes and independent auditors' report.

**WAGONER PUBLIC WORKS AUTHORITY**  
**Statement of Fund Net Position**  
**June 30, 2021 and 2020**

	2021	2020
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 504,967	\$ 463,339
Other payables	748,073	723,462
Due to other funds	187,241	211,033
Salaries and benefits payable	217,537	197,299
Current maturities	756,920	553,117
Interest payable	92,151	95,560
<b>Total Current Liabilities</b>	2,506,889	2,243,810
<b>Long Term Liabilities</b>		
Notes payable	9,126,617	9,679,733
Less: current maturities	(756,920)	(553,117)
<b>Total Long Term Liabilities</b>	8,369,697	9,126,616
<b>Net Position</b>		
Net invested in capital assets	7,596,806	7,712,954
Restricted for deposits/loan	905,714	905,714
Restricted for other purposes	714,813	667,946
Unrestricted net assets	4,994,745	4,578,122
<b>Total Net Position</b>	14,212,078	13,864,736
<b>Total Liabilities and Net Position</b>	\$ 25,088,664	\$ 25,235,162

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, 2021 and 2020**

	2021	2020
<b>Revenue</b>		
Charges for services	\$ 11,150,216	\$ 10,654,302
<b>Total Revenue</b>	11,150,216	10,654,302
<b>Operating Expenses</b>		
Water plant	459,645	466,575
Water distribution	423,552	415,714
Water disposal	462,440	392,467
Water disposal distribution	313,144	285,297
Electric distribution	5,901,865	5,511,775
Electric office	1,740,606	1,745,672
Shop	195,401	191,828
Inventory control	60,143	57,526
Brush department	205,455	207,791
Capital project fund expense	1,095	22,194
Bad debt expense	14,228	18,098
Depreciation expense	853,542	842,582
<b>Total Operating Expenses</b>	10,631,116	10,157,519
<b>Operating Income</b>	519,100	496,783
<b>Other Income (Expenses)</b>		
Interest income	78,520	83,606
Other income	46,971	4,199
Sale of surplus equipment	1,655	0
Interest expense	(298,904)	(307,643)
<b>Total Other Income</b>	(171,758)	(219,838)
<b>Change in Net Position</b>	\$ 347,342	\$ 276,945

See accompanying notes and independent auditors' report.

**WAGONER PUBLIC WORKS AUTHORITY**

**Statement of Cash Flows**

**Year Ended June 30, 2021 and 2020**

	2021	2020
<b>Cash Flows From Operating Activities:</b>		
Receipts from Customers	\$ 11,036,804	\$ 10,821,241
Payment to Suppliers	(8,015,415)	(7,615,415)
Payment to Employees	(1,675,806)	(1,559,882)
<b>Net Cash Provided by Operating Activities</b>	<u>1,345,583</u>	<u>1,645,944</u>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Other NonOperating Receipts	46,971	4,199
Interest Paid on Long Term Debt	(298,904)	(307,643)
Increase in inter-fund payables	(19,392)	32,924
<b>Net Cash (Used) by Noncapital Financing Activities</b>	<u>(271,325)</u>	<u>(270,520)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Proceeds from Issuance of Debt	0	88,000
Payment of Debt	(553,116)	(518,013)
Disposal of Asset	1,655	0
Purchase of Capital Assets	(184,278)	(215,423)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(735,739)</u>	<u>(645,436)</u>
<b>Cash Flows From Investing Activities:</b>		
Receipts of Interest and Dividends	78,520	83,606
(Increase) Decrease in Cash Reserve	(44,462)	(37,488)
<b>Net Cash Provided by Investing Activities</b>	<u>34,058</u>	<u>46,118</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	372,577	776,106
Cash and Cash Equivalents at Beginning of Year	5,169,122	4,393,016
<b>Cash and Cash Equivalents at End of Year</b>	\$ <u><u>5,541,699</u></u>	\$ <u><u>5,169,122</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 519,100	\$ 496,783
Adjustments to reconcile operating income to net cash provided by operating activities:		
Add Depreciation Expense	853,542	842,582
(Increase) Decrease Current Assets		
(Increase) Decrease Receivables, net	(113,412)	166,939
(Increase) Decrease Inventories	3,285	14,505
Increase (Decrease) Current Liabilities		
Increase (Decrease) Accounts payable	41,627	18,384
Increase (Decrease) Accrued liabilities	41,441	106,751
Increase (Decrease) Other liabilities	0	0
<b>Net Cash Provided by (Used in) Operating Activities</b>	\$ <u><u>1,345,583</u></u>	\$ <u><u>1,645,944</u></u>

See accompanying notes and independent auditors' report.

**WAGONER PUBLIC WORKS AUTHORITY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2021 and 2020**

**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:

- 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

**WAGONER PUBLIC WORKS AUTHORITY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2021 and 2020**

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, 2021 and 2020**

**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, 2021 the Public Works Authority had unrecorded sick leave of \$215,232.

**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, 2021, the Wagoner Public Works Authority purchased \$4,245,206 worth of electricity from G.R.D.A. compared to \$3,974,673 at June 30, 2020.

**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>2021</u>	<u>2020</u>
Due from customers	\$ 682,644	742,414
Allowance for bad accounts	(53,439)	(202,448)
Other receivables	<u>(12,758)</u>	<u>(38,315)</u>
 Total	 <u>\$ 616,447</u>	 <u>501,651</u>

Other receivables are unapplied credits and AMP Plan receivable.

**WAGONER PUBLIC WORKS AUTHORITY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2021 and 2020**

**5. PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2021:

	Cost	Additions/ Deletions	Accumulated Depreciation	Ending
Electric System	6,350,584	67,700	(4,242,470)	2,175,814
Water & Sewer Systems	12,347,104	113,698	(7,376,157)	5,084,645
Inventory Control	125,892	0	(84,126)	41,766
Shop	112,611	0	(108,794)	3,817
Brush	60,414	0	(28,695)	31,719
Water Plant	12,027,487	2,880	(3,063,160)	8,967,207
Water Park	1,036,300	0	(617,845)	418,455
	<u>32,060,392</u>	<u>184,278</u>	<u>(15,521,247)</u>	<u>16,723,423</u>

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>

**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, 2021 the following transfers were made from the Gross Revenue Fund.

	2021	2020
Emergency Medical Services	\$ 595,404	\$ 584,840
City of Wagoner - Operations	601,000	601,000
Capital Projects Fund	22,422	18,504
City of Wagoner - Utilities	99,615	83,269
Emergency Medical Services - Utilities	<u>11,791</u>	<u>10,533</u>
Transfer Out	<u>\$ 1,330,232</u>	<u>\$ 1,298,146</u>
Transfer In	<u>\$ 25,000</u>	<u>\$ 21,158</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, 2021 and 2020**

**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, 2021 was \$455,864 and on June 30, 2020 the balance 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, 2021 was \$830,000 and on June 30, 2020 the balance 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 \$7,455 for OIP and \$18,835 for DDC. Prior year's amortization 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 \$5,752 and debt issue costs totaling \$14,533. Prior year's 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, 2021 was \$495,459 and on June 30, 2020 the balance 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, 2021 was \$7,303,473 and on June 30, 2020 the balance was \$7,323,473.

**WAGONER PUBLIC WORKS AUTHORITY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2021 and 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, 2021 was \$44,000 and on June 30, 2020 the balance was \$88,000.

Long term debt as of June 30, 2021:

	WPWA			
	Balance 7/1/2020	Proceeds	Principal Payment	Balance 6/30/2021
OWRB Loan FAP-13-0002L	1,225,000	0	395,000	830,000
OWRB Note 8-29-12 OIP	8,883	0	7,455	1,428
Debt Defeasance Costs	(22,442)	0	(18,835)	(3,607)
OWRB ORF-09-0029-DW	496,572	0	40,708	455,864
OWRB Note 2012A	560,247	0	64,788	495,459
OWRB NOTE 8/26/13	7,323,473	0	20,000	7,303,473
BancFirst - Bucket Truck	88,000	0	44,000	44,000
	9,679,733	0	553,116	9,126,617

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
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
	10,109,746	88,000	518,013	9,679,733

**WAGONER PUBLIC WORKS AUTHORITY**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2021 and 2020**

Debt service requirements as of June 30, 2021:

	WPWA	
	Current Maturities	Debt Service
2022	756,920	1,068,013
2023	912,872	1,194,452
2024	509,069	768,537
2025	527,338	768,539
2026	545,536	768,530
2027-2031	3,028,309	3,847,514
2032-2036	2,846,572	3,087,128
Thereafter	0	0
Total	9,126,617	11,502,713

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
Total	9,679,733	12,394,545

**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, 2021 the balance owed was \$2,672,606. 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, 2021 was \$344,962. 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, 2021 and 2020**

**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, 2021, retirement plan contributions paid by the Wagoner Public Works Authority totaled \$114,370.

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. The board did approve to enter into an agreement with Oklahoma Water Resources Board (OWRB) for a low interest-bearing loan not to exceed \$5,040,000 secured by a pledge of revenues. These proceeds will be utilized for stormwater improvements. This project is slated to begin in the Spring, 2022 with construction taking twelve to eighteen months. The current OWRB Water Plant Loan referenced in Footnote 13 has been paid in full in the fall, 2021. No other event was found that needed to be disclosed. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

**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), Wagoner, Oklahoma as of and for the year ended June 30, 2021 and 2020, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated February 15, 2022.

**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.  
Muskogee, Oklahoma  
February 15, 2022



Required Supplementary Information

**WAGONER PUBLIC WORKS AUTHORITY**  
**Budget to Actual Comparison**  
**Year Ended June 30, 2021**

<u>GENERAL FUND</u>	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		
<b>Revenue Summary</b>				
	\$ 13,537,760	\$ 13,537,760	\$ 11,277,362	\$ 2,260,398
Adjustments	0	0	0	0
Total Revenue	13,537,760	13,537,760	11,277,362	2,260,398
<b>Expenditure Summary</b>				
Water Plant	901,920	901,920	459,645	442,275
Water Distribution	1,267,054	1,267,054	423,552	843,502
Water Disposal	629,975	629,975	462,440	167,535
Electric Distribution	7,622,618	7,622,618	5,901,865	1,720,753
Electric Office	1,957,760	1,957,760	1,740,606	217,154
Shop	221,127	221,127	195,401	25,726
Inventory Control	70,749	70,749	60,143	10,606
Water Disposal-Distribution	609,229	609,229	313,144	296,085
Brush	257,328	257,328	206,550	50,778
Total Expenditures	13,537,760	13,537,760	9,763,346	3,774,414
<b>Adjustments to Expenditures</b>				
Interest Expense	0	0	298,904	(298,904)
Depreciation Expense	0	0	853,542	(853,542)
Bad Debt Expense	0	0	14,228	(14,228)
Total adjustments	0	0	1,166,674	(1,166,674)
Total Expenditures	13,537,760	13,537,760	10,930,020	2,607,740
Excess of Revenue Over (Under) Expenditures	0	0	347,342	(347,342)

See accompanying independent auditors' report.