



**OSAGE COUNTY
RURAL WATER
DISTRICT NO. 15**

ANNUAL FINANCIAL STATEMENT AND
ACCOMPANYING INDEPENDENT AUDITOR'S
REPORTS

FOR THE YEAR ENDED
JUNE 30, 2023

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Board of Directors

Jerry Magee	Chairman
Pattie Park	Vice-Chairman
Everett Forbes	Treasurer
Jessica Hudson	Director



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Osage County Rural Water District No. 15
Osage County, Oklahoma

OPINION

We have audited the financial statements of the business-type activities of Osage County Rural Water District No. 15 (the "District"), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements, referred to above, present fairly, in all material respects, the respective financial position of the business-type activities for Osage County Rural Water District No. 15, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Osage County Rural Water District No. 15 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation, and fair presentation, of these financial statements, in accordance with accounting principles generally accepted in the United States of America and the design, implementation, and maintenance of internal control, relevant to the preparation, and fair presentation, of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregated, that raise substantial doubt about Osage County Rural Water District No. 15's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgement and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Osage County Rural Water District No. 15's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregated, that raise substantial doubt about Osage County Rural Water District No. 15's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 4–7, 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.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report, dated July 15, 2024, on our consideration of the Osage County Rural Water District No. 15'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 Osage County Rural Water District No. 15'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 Osage County Rural Water District No. 15's internal control over financial reporting and compliance.

Sincerely,



OBER & LITTLEFIELD, CPAS, PLLC
MIAMI, OKLAHOMA

JULY 15, 2024

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities, for the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements, beginning on page 8.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities, at June 30, 2023, by \$8,816,593.79, representing an increase in net position of \$519,234.42 for the year.
- Total operating revenues and non-operating revenues were \$3,118,583.53 this year, while operating expenses were \$2,599,349.11, resulting in the increase in net position of \$519,234.42.
- The District has \$7,591,014.49 (net of accumulated depreciation) invested in capital assets, as of June 30, 2023.

DISTRICT HIGHLIGHTS

- Our customer base increased to approximately 3,217 customers.

USING THIS ANNUAL REPORT

This annual report consists of two parts; management's discussion and analysis, and the financial statements. The financial statements also include notes that explain, in more detail, some of the information in the financial statements.

Required Financial Statements

The financial statements of the District report information about the District, using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The statement of net position includes all of the District's assets, and liabilities, and provides information about the nature, and amounts, of investments in resources (assets), and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity, and financial flexibility, of the District. All of the current year's revenues, and expenses, are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the District's operations over the past year, and can be used to determine profitability, credit worthiness, and whether the District has successfully recovered all its costs through its user fees and other charges. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the District's cash receipts, and cash payments, during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and noncapital financing activities, and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

One of the most important questions asked about the District's finances is, "Is the District, as a whole, better off, or worse off, as a result of the year's activities?" The statement of net position and statement of revenues, expenses, and changes in net position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District, and changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving, or deteriorating. However, you will need to also consider other non-financial factors, such as changes in economic conditions, population growth and new or changed legislation.

The District's total net position increased from last year by \$519,234.42, or about 6.26%. Our analysis below focuses on the District's net position (Table 1), and changes in net position (Table 2) during the year.

Table 1

	<u>06/30/23</u>	<u>06/30/22</u>
Current Assets	\$ 1,974,686.84	\$ 2,077,901.49
Fixed Assets	7,591,014.49	7,361,313.18
Other Assets	<u>1,253,620.74</u>	<u>1,268,288.68</u>
Total Assets	<u>\$ 10,819,322.07</u>	<u>\$ 10,707,503.35</u>
Current Liabilities	\$ 641,771.50	\$ 504,579.82
Noncurrent Liabilities	<u>1,360,956.78</u>	<u>1,905,564.16</u>
Total Liabilities	<u>2,002,728.28</u>	<u>2,410,143.98</u>
Invested in Capital Assets, Net of Related Debt	5,696,376.01	5,051,026.00
Net Position, Restricted	11,856.32	11,571.93
Net Position, Unrestricted	<u>3,108,361.46</u>	<u>3,234,761.44</u>
Total Net Position	<u>8,816,593.79</u>	<u>8,297,359.37</u>
Total Liabilities and Net Position	<u>\$ 10,819,322.07</u>	<u>\$ 10,707,503.35</u>

The District's net position reflects its investment in capital assets (e.g. water system, buildings, machinery, and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to citizens and consumers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

OSAGE COUNTY RURAL WATER DISTRICT NO. 15
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FISCAL YEAR ENDED JUNE 30, 2023

The balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens, customers, and creditors. The District's unrestricted net position decreased by \$126,399.98, or 3.91%, during the current year.

Changes in the District's net position can be determined by reviewing the following condensed statement of revenues, expenses, and changes in net position for the year.

Table 2

	<u>06/30/23</u>	<u>06/30/22</u>
Total Operating Revenues	\$2,764,724.10	\$2,499,159.00
Operating Expenses	(2,366,387.73)	(2,004,307.00)
Depreciation Expense	(232,961.38)	(289,305.00)
Other Non-Operating Revenues (Expenses)	353,859.43	174,757.00
Increase (Decrease) in Net Position	<u>519,234.42</u>	<u>380,304.00</u>
Net Position, Beginning of Year	<u>8,297,359.37</u>	<u>7,917,055.37</u>
Net Position, End of Year	<u><u>\$8,816,593.79</u></u>	<u><u>\$8,297,359.37</u></u>

The District's primary source of revenue is the sale of water, which comprises most of the operating revenues. Operating revenues increased by \$265,565.10, or 10.63%, from the prior year.

Total operating expenses increased by \$632,080.73, or 18.07%, from the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2023, the District had \$7,591,014.49 (net of accumulated depreciation) invested in capital assets, including the water storage and distribution system, improvements, machinery, and equipment. The District purchased new infrastructure assets and office additions. The net capital assets increased by \$229,701.31, or 3.12%, from the prior year, primarily due to normal depreciation and the purchase of the aforementioned assets.

Debt

The District had four notes payable outstanding, as of June 30, 2023 the total is \$1,894,638.48.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A product of an ongoing examination of how the District does business, our budget emphasizes outcomes, or results, for the community and allows for longer-term financial planning decisions.

In considering the District's budget for the fiscal year 2023/2024, the Board estimates that revenues and expenses in the coming year will approximate actual revenues and expenses for the past fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances, and to show the District's accountability for the money it receives. If you have any questions about this report, or need additional financial information, contact the Board of Directors at Osage County Rural Water District No. 15, 14415 N 52nd W Ave, Skiatook, OK 74070.

OSAGE COUNTY RURAL WATER DISTRICT NO. 15
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2023

Assets

Current Assets:

Cash and cash equivalents	\$ 747,719.16
Certificates of deposit	834,174.44
Accounts receivable	250,315.24
Prepaid expenses	52,394.95
Inventory	75,131.56
Notes receivable (current portion)	14,951.49
Total Current Assets	<u>1,974,686.84</u>

Restricted Assets:

Loan trust accounts	11,856.32
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Other Assets:

Intangible Assets (net of accumulated amortization)	855,783.00
Deposits	1,189.39
Total Other Assets	<u>856,972.39</u>

Noncurrent Assets:

Capital Assets (net of accumulated depreciation)	7,591,014.49
Notes receivable (noncurrent portion)	384,792.03
Total Noncurrent Assets	<u>7,975,806.52</u>
Total Assets	<u>\$ 10,819,322.07</u>

Liabilities

Current Liabilities:

Accounts payable	\$ 104,880.21
Accrued wages and taxes	3,209.59
Notes payable (current portion)	533,681.70
Total Current Liabilities	<u>641,771.50</u>

Noncurrent Liabilities:

Notes payable, long term	1,360,956.78
Total Liabilities	<u>2,002,728.28</u>

Net Position

Invested in capital assets, net of related debt	5,696,376.01
Restricted for debt service	11,856.32
Unrestricted	3,108,361.46
Total Net Position	<u>8,816,593.79</u>

Total Liabilities and Net Position	<u>\$ 10,819,322.07</u>
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The accompanying notes to the financial statements are an integral part of this statement.

OSAGE COUNTY RURAL WATER DISTRICT NO. 15
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FISCAL YEAR ENDED JUNE 30, 2023

Operating Revenues:	
Water charges	\$ 2,668,128.69
Service fees	4,400.00
Late penalties	65,100.00
Other operating revenue	<u>27,095.41</u>
Total Operating Revenues	<u>2,764,724.10</u>
Operating Expenses:	
Salaries and wages	454,700.05
Payroll taxes	37,250.35
Employee benefits	167,432.79
Contract labor	6,160.00
Water purchases	1,202,954.69
Depreciation Expense	232,961.38
Repairs and Maintenance	29,017.00
Insurance	68,369.82
Professional Fees	21,885.85
Utilities & telephone	91,236.23
Advertising, promotion, and memberships	2,945.70
Licenses, fees, and permits	21,719.09
Office and postage	46,244.77
Supplies and tools	141,535.40
Meetings, training, and travel	4,470.04
Bank Charges	18,086.61
Bad Debt Expense	3,267.00
Fuel	35,835.70
Miscellaneous expense	<u>13,276.64</u>
Total Operating Expenses	<u>2,599,349.11</u>
Operating Income/(Loss)	165,374.99
Non-Operating Revenues/(Expenses):	
Interest Income	10,148.12
Interest Expense	(50,276.85)
Membership Fees	175,200.00
Gain/loss of asset	3,118.00
Grant income	201,413.55
Other Non-Operating Income	<u>14,256.61</u>
Total Non-Operating Revenues (Expenses)	<u>353,859.43</u>
Change in net position	<u>519,234.42</u>
Total net position, beginning	8,297,359.37
Total net position, ending	<u><u>\$ 8,816,593.79</u></u>

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

OSAGE COUNTY RURAL WATER DISTRICT NO. 15
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED JUNE 30, 2023

Cash flows from operating activities:	
Cash received from customers	\$ 2,754,965.44
Cash received from other revenues	27,095.41
Cash paid to suppliers for goods and services	<u>(2,350,860.18)</u>
Net cash provided/(used) by operating activities	<u>431,200.67</u>
Cash flows from investing activities:	
Interest income	10,148.12
Purchase of capital assets	<u>(462,662.69)</u>
Net cash provided/(used) by investing activities	<u>(452,514.57)</u>
Cash flows from financing activities:	
Principal payments on long-term debt	(415,649.68)
Interest payments on long-term debt	(50,276.85)
Grant Income	201,413.55
Issuance of benefit units	3,118.00
Other Non-Operating Income	14,256.61
Memberships purchased	<u>175,200.00</u>
Net cash provided (used) by financing activities	<u>(71,938.37)</u>
Net increase/(decrease) in cash and cash equivalents	(93,252.27)
Beginning cash balance	<u>1,687,002.19</u>
Ending cash balance	<u>\$ 1,593,749.92</u>
Reconciliation of net income/(loss) to cash provided by operating activities:	
Net income/(loss)	<u>\$ 165,374.99</u>
Adjustments to reconcile net income to net cash provided/(used) by operating activities:	
Depreciation	232,961.38
(Increase)/decrease in receivables	17,336.75
(Increase)/decrease in prepaid insurance	(10,279.20)
(Increase)/decrease in inventory	17,572.77
Increase/(decrease) in accounts payable and accrued expenses	8,233.98
Total adjustments	<u>265,825.68</u>
Net cash provided by operating activities	<u>\$ 431,200.67</u>
Reconciliation of Statement of Net Position	
Cash and Cash equivalents	\$ 747,719.16
Certificate of Deposits	834,174.44
Cash and Cash equivalents - restricted	<u>11,856.32</u>
	<u>\$ 1,593,749.92</u>

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

Note 1 - Summary of Significant Accounting Policies

Osage County Rural Water District No. 15 (the District) was formed, and the powers which it may exercise, are set forth in the provisions of Title 82 of the Oklahoma Statutes, Section 1324.1 et seq., same being the Oklahoma Rural Water, Sewer, Gas and Solid Waste Management Districts Act. Membership in the water district consists of water users who have paid the required membership, and connection fees. The District is exempt from federal and state income taxes. The District was organized by the Board of County Commissioners of Osage County, Oklahoma. District members fall within territorial boundaries within Osage and Washington County, as assigned by the Board of County Commissioners of Osage County, Oklahoma.

The membership consists of approximately 3,217 users, each entitled one vote. The Board of Directors consists of 5 members, one director shall be elected for a term of one year; two directors for a term of two years; and two directors for a term of three years. The vacant Board seats are elected at the annual meeting, and following, the Board of Directors meet and elect a chairman, vice-chairman, and treasurer.

The accounting policies of the District conform to generally accepted accounting principles, applicable to governmental units. The District complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the District applies Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board opinions, issued on or before November 30, 1989, unless those pronouncements conflict with, or contradict, GASB pronouncements, in which case, GASB prevails. The District has elected not to follow FASB pronouncements issued since that date.

1.A. Financial Reporting Entity

The District complies with GASB Statement No. 154, "*The Financial Reporting Entity*." This statement establishes standards for defining, and reporting, on the financial reporting entity. It defines component units as legally separate organizations, for which the elected officials of the primary government are financially accountable, and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading, or incomplete.

The District considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the District's financial statements.

1.B. Basis of Presentation

The accounts of the District are organized into funds, each of which is a separate accounting entity. The District uses the following fund types:

Proprietary Funds

Enterprise Funds

The District's fund is an enterprise fund. Enterprise funds are proprietary funds, used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement, similar to the private sector.

Note 1 – Summary of Significant Accounting Policies: continued

1.C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded, regardless of the measurement focus applied.

Measurement Focus

The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred, or economic asset used.

Proprietary funds distinguish *operating* revenues, and expenses, from *nonoperating* items. Operating revenues, and expenses, generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the District’s enterprise fund is charges to customers for sales and services. The District also recognizes, as operating revenue, the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues, and expenses, not meeting this definition are reported as nonoperating revenues and expenses.

1.D. Assets, Liabilities and Net Position

Cash and Cash Equivalents

For the purposes of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of twelve months or less when purchased, to be cash and cash equivalents.

Fair Value of Financial Instruments

The District’s financial statements include cash and investments. The District’s estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments, recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Accounts Receivable

Accounts receivable consists primarily of charges for water sales. Management has not established a provision for uncollectible accounts. Such amounts are written off in the month in which management determines they are uncollectible.

Note 1 – Summary of Significant Accounting Policies: continued

1.D. Assets, Liabilities and Net Position continued

Compensated Absences

The District's policy is to permit employees to accumulate a limited amount of earned vacation and sick leave. Accumulated vacation time is accrued at year-end to account for the District's obligation to the employees for the amount owed. It is management's belief that most of the obligation will be utilized within the next fiscal year.

Capital Assets

The water storage and delivery system, and equipment, are recorded at cost. Donated capital assets are reported at estimated fair market value at the date of donation. District policy has not set the capitalization threshold for reporting capital assets. See finding at the end of the report.

The cost of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized.

All reported capital assets are depreciated on the straight-line basis, over the estimated useful lives ranging from ten (10) to forty (40) years.

Equity Classification

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net position, with constraints placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions, or enabling legislation.
- c. Unrestricted – All other net position that do not meet the definitions of “restricted,” or “invested in capital assets, net of related debt”.

Use of Estimates

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates, and assumptions, that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Detailed Notes Concerning Accounts

2.A. Deposits and Investments

The table presented below is designed to disclose the level of custody credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2023. The categories of credit risk are defined as follows:

Category A – Insured by FDIC or collateralized with securities held by the District or by its agent in its name

Category B – Uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent in the District’s name.

Category C – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the District’s name; or collateralized with no written or approved collateral agreement.

	Category			Carrying Amount	Bank Balance
	A	B	C		
Cash on hand	\$ -	\$ -	\$ -	\$ 780.00	\$ -
Demand deposits	750,000.00	1,335.36	-	746,939.16	751,335.36
C.D.'s	250,000.00	-	584,174.44	834,174.44	834,174.44
Reserves	11,856.32	-	-	11,856.32	11,856.32
Total	<u>\$ 1,011,856.32</u>	<u>\$ 1,335.36</u>	<u>\$ 584,174.44</u>	<u>\$ 1,593,749.92</u>	<u>\$ 1,597,366.12</u>

State statutes govern the District’s investment policy. The District is authorized to invest in U.S. Government obligations, and its agencies or instrumentalities; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts, or savings certificates, of savings and loan associations, and trust companies. Collateral is required for demand deposits, and certificates of deposit, for all amounts not covered by federal deposit insurance. Investments are stated at cost. Currently, the District invests entirely in certificates of deposit.

Credit Risk: The District’s investment policy is to apply the “prudent investor” standard. “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived.”

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. The District’s cash deposits, including interest-bearing certificates of deposit, are maintained in financial institutions. As of June 30, 2023, one of the District’s investments were exposed to custodial credit risk.

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Note 2 – Detailed Notes Concerning Accounts: continued

2.B. Accounts Receivable

Aged accounts receivable are as follows:

Current billings	\$ 240,178.49
31-60 days arrears	3,660.25
60-90 days arrears	6,476.50
	<u>\$ 250,315.24</u>

2.C. Changes in Capital Assets

Capital asset activity, for the fiscal year ended June 30, 2023, was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Non-Depreciable:				
Land	\$ 100,631.00	\$ -	\$ -	\$ 100,631.00
Construction in Process	36,453.71	212,063.36	-	248,517.07
Total non-depreciable capital assets	<u>137,084.71</u>	<u>212,063.36</u>	<u>-</u>	<u>349,148.07</u>
Depreciable:				
Water System	9,835,830.43	171,537.77	-	10,007,368.20
Office Equipment	100,240.21	7,367.56	-	107,607.77
Machinery and equipment	189,114.00	-	-	189,114.00
Vehicles	246,246.82	71,694.00	-	317,940.82
Buildings and improvements	836,610.00	-	-	836,610.00
Total depreciable capital assets	<u>11,208,041.46</u>	<u>250,599.33</u>	<u>-</u>	<u>11,458,640.79</u>
Grand total of capital assets	11,345,126.17	462,662.69	-	11,807,788.86
Less: Accumulated Depreciation	<u>(3,983,812.99)</u>	<u>(232,961.38)</u>	<u>-</u>	<u>(4,216,774.37)</u>
Net Book Value	<u>\$ 7,361,313.18</u>	<u>\$ 229,701.31</u>	<u>\$ -</u>	<u>\$ 7,591,014.49</u>

2.D. Intangible Assets:

The District acquired certain rights with the Corps of Engineers (Corps) as part of the assets assumed from the nonprofit entity. The rights include:

Storage Space Rights: The District has the right to utilize a fixed percentage of the usable storage space in Skiatook Lake, or approximately 2,000 acre-feet, to impound water for anticipated future demand or need and to withdraw this water from the lake. An associated note payable in the amount of \$563,867 was assumed by the District for these rights. During and upon repayment of this note, the District indefinitely retains the right to the storage space. In prior years, before a change in accounting pronouncements, amortization of \$183,257 was recognized.

Note 2 – Detailed Notes Concerning Accounts: continued

2.D. Intangible Assets: continued

Conduit Rights: The District has the right to use a conduit constructed by the Corps for the withdrawal of water from the Skiatook Lake. An associated note payable in the amount of \$703,960 was assumed by the District for these rights. During and upon repayment of the note the District indefinitely retains the right to use the conduit. In prior years, before a change in accounting pronouncements, amortization of \$228,787 was recognized.

Management has performed its annual evaluation of these intangible assets and has determined that no impairments are necessary as the fair market values exceed the carrying costs as of June 30, 2023.

2.E. Long-Term Debt

The following is a summary of Osage County Rural Water District No. 15's long-term debt at June 30, 2023.

On December 12, 1985, the District entered into an agreement with S.A.R. for Corps Storage Space Usage. This agreement was assumed when the District acquired the obligation from the nonprofit entity. Under this agreement the District is to reimburse the corps for the construction costs of the water storage space in Skiatook Lake. No principal was due or interest accrued during the first ten years of the agreement. After the first ten years of the agreement, in 1995, annual interest payments at 4.012% were paid. Principal payments will commence upon usage of the storage space with the full contract being repaid on or before October 1, 2034. At June 30, 2023, the principal balance of this contract was \$553,416.34.

On October 12, 1983, the District entered into an agreement with S.A.R. for Corps Conduit Usage. This agreement was assumed when the District acquired the obligation from the nonprofit entity. Under this agreement the District is to reimburse the Corps for the construction costs of the conduit at Skiatook Lake. No principal was due or interest accrued during the first ten years of the contract. After the first ten years of the agreement annual interest payments at .012% would accrue until usage of the conduit. Principal and interest payments will commence upon usage of the storage space with the full contract being repaid on or before September 2040. The District has begun usage of the conduit and are making annual payments of \$31, 570. At June 30, 2023, the principal balance of this note was \$399,743.52.

On October 3, 2014, the District entered into an agreement with Oklahoma Water Resource Board (OWRB) in the amount of \$815,000 for construction projects. The interest rate is 2.17% and the administration fee is 0.5%. The maturity date of this note is June 2035. Monthly payments are remitted to a trustee bank who administers the semiannual payments to OWRB. During the year ended June 30, 2017, the final advancement of \$58,130 was received to complete the project. At June 30, 2023, the principal balance of this note was \$455,953.86.

On July 7, 2020, the District entered into a bank note for \$1,505,000 to refinance the OWRB 2002 note, the 2014 note, to finance improvements and to pay the issuance cost. The bank and OWRB share priority of their liens in the collateral which is the real and personal property of the District. The note carries a 2% interest rate and matures on October 1, 2024. Payments began on August 1, 2020. At June 30, 2023 the principal balance of this note was \$485,524.76.

OSAGE COUNTY RURAL WATER DISTRICT NO. 15
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2023

2.E. Long-Term Debt: continued

Debt service requirements for all loans are as follows:

	Amount			Amount
	Outstanding			Outstanding
	June 30, 2022	Issued	Retired	June 30, 2023
USACE Finance Center - "Conduit"	\$ 414,695.39	\$ -	\$ 14,951.87	\$ 399,743.52
USACE Finance Center - Storage Corps	563,867.00	-	10,450.66	553,416.34
Exchange Bank	844,000.00	-	358,475.24	485,524.76
OWRB	487,725.77	-	31,771.91	455,953.86
	<u>\$ 2,310,288.16</u>	<u>\$ -</u>	<u>\$ 415,649.68</u>	<u>\$ 1,894,638.48</u>

The following is a summary of the changes in long-term debt for the fiscal year ended June 30, 2023:

Year Ending				
	June 30	Principal	Interest	Total
2024	533,681.70	25,900.54	559,582.24	
2025	49,702.11	24,527.89	74,230.00	
2026	51,264.81	23,136.30	74,401.11	
2027-2031	281,584.72	93,150.68	374,735.40	
2032-2036	837,433.22	50,933.79	888,367.01	
2037-2041	140,971.92	17,353.59	158,325.51	
	<u>\$ 1,894,638.48</u>	<u>\$ 235,002.79</u>	<u>\$ 2,129,641.27</u>	

Note 3 – Other Information

3.A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials' liability. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 3 – Other Information: continued

3.B. Rates and Fees

Water Rates and Charges

Minimum monthly charge on first 1,000 gallons	\$	28.00
Residential price per thousand gallons for 1,000 - 10,000 gallons		6.55
Residential price per thousand gallons for 11,000 - 20,000 gallons		7.55
Residential price per thousand gallons for 21,000 - 30,000 gallons		8.55
Residential price per thousand gallons for anything over 31,000 gallons		9.55

Other Fees

New tap fee	\$	2,250.00
Cost to move meter to existing can		Price Varies
Cost to move meter to new can		Price Varies
Reconnect fee		Price Varies
Returned check fee		35.00

3.C. Evaluation of Subsequent Events

The District has evaluated subsequent events through July 15, 2024, the date which the financial statements were available to be issued, and no additional disclosures deemed necessary.

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



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

To the Board of Directors
Osage County Rural Water District No. 15
Skiatook, 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 Osage County Rural Water District No. 15, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon, dated July 15, 2024.

Internal Control Over Financial Reporting

In planning, and performing, our audit of the financial statements, we considered Osage County Rural Water District No. 15’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate, in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Osage County Rural Water District No. 15’s internal control. Accordingly, we do not express an opinion on the effectiveness of Osage County Rural Water District No. 15’s internal control.

A deficiency in internal control exists when the design, or operation, of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

Our consideration of the internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-1 that we consider to be material weaknesses.

To the Board of Directors
Osage County Rural Water District No. 15
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Osage County Rural Water District No. 15's financial statements are free from material misstatement, 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* and which are described in the accompanying schedule of findings and questioned costs as items 2023-1.

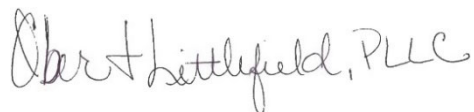
Osage County Rural Water District No. 15

Government Auditing Standards requires the auditor to perform limited procedures on the Osage County Rural Water District No. 15's response to the findings identified in our audit and described in the accompanying schedules of findings and questioned costs. Osage County Rural Water District No. 15's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control, and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control, or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



OBER & LITTLEFIELD, CPAS, PLLC
MIAMI, OKLAHOMA

JULY 15, 2024

Audit Findings – Current Year

2023 – 1

Criteria – The District is required to maintain adequate controls to safeguard and account for its capital assets.

Condition – Internal controls over property accountability were inadequate or nonexistent for capital assets. The District has no written policies or procedures on recording, adjusting, or inventorying capital assets.

Cause – There are no written policies or procedures for the recording, maintenance, and safeguarding of capital assets.

Effect – Without adequate internal controls to ensure proper safeguarding, assets are at risk and vulnerable to misappropriation, misuse or loss, which would not be detected in a timely manner, if at all. Financial information is also inaccurately recorded for capitalized assets.

Recommendation – We recommended the Council implement internal controls in its property accountability by developing written policies and procedures that describe the capitalization threshold, how capital assets will be recorded and managed, who and how often assets will be reviewed for impairment and perform timely inventories of capital assets on an annual basis.

Management Response – The District understand and will take appropriate steps to remedy the finding.