

**FINANCIAL STATEMENTS – REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITOR**

**HUGHES COUNTY RURAL WATER DISTRICT NO. 5
HOLDENVILLE, OKLAHOMA**

JUNE 30, 2023

Audited by

**BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

BROKEN ARROW, OK

HUGHES COUNTY RURAL WATER DISTRICT NO. 5
BOARD OF DIRECTORS
JUNE 30, 2023

BOARD OF DIRECTORS

Chairman

Clyde Collis

Vice Chairman

Russell Cox

Secretary / Treasurer

Bernice Haskins

Members

Travis Black

Bernice Haskins

Barry Tucker

Manager

Kelly Huff

Bookkeeper

Jessica Kiker

HUGHES COUNTY RURAL WATER DISTRICT NO. 5
JUNE 30, 2023

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Table of Contents	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6-7
Disposition of Prior Year Audit Findings	8
Schedule of Findings and Responses	9
<u>Combined Financial Statements:</u>	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position	11
Statement of Cash Flows	12
Notes to the Financial Statements	13-19
<u>Other Supplementary Information:</u>	
Water Rates and Customer Information (unaudited)	20



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hughes County Rural Water District No. 5
Holdenville, Oklahoma

Report on the Audit of the Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Hughes County Rural Water District No. 5, Holdenville, Oklahoma (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023 and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Supplementary Information

The District has not presented the Management’s Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

The prior year “memorandum only” comparative information and the supplementary information on page 20 are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2023 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

November 8, 2023



BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA
Christopher P. Gullekson, CPA

P.O. BOX 1310 • 121 E. COLLEGE ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

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

Board of Directors
Hughes County Rural Water District No. 5
Holdenville, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Hughes County Rural Water District No. 5, Holdenville, Oklahoma (the District), 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 November 8, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

November 8, 2023

HUGHES COUNTY RURAL WATER DISTRICT NO. 5
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2023

22-01 *Finding* – Presently, the same individual performs all accounting functions: receives utility service-related payments, is responsible for service billing and adjustment, makes bank deposits, writes checks, reconciles the monthly bank statements and prepares monthly financial reports. This is considered a lack of segregation of duties.

Recommendation – While it may not be cost effective to hire additional administrative staff that would be necessary in order to adequately segregate the responsibilities, the District should consider a formal evaluation of their risks associated with this lack of segregation of duties. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with the lack of segregation of duties.

Disposition – The District has segregated various accounting functions enough to satisfy this finding. The District now has two people involved in the office procedures. The bookkeeper receipts all payments and makes the deposits, which are balanced to the software reports ran from the accounting software. The manager issues all checks to vendors, reconciles the bank statement and prepares financial reports for the board.

HUGHES COUNTY RURAL WATER DISTRICT NO. 5
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2023

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion was issued on the financial statements.
2. The audit identified no material weakness in the internal controls.
3. The audit disclosed no instances of noncompliance.

Section 2 – Findings relating to the financial statements required to be reported in accordance with *GAGAS*:

None

Hughes County Rural Water District No. 5
Holdenville, Oklahoma
Statement of Net Position
June 30, 2023

	<u>June 30, 2023</u>	<u>-Memorandum- -Only- June 30, 2022</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 276,242	\$ 216,794
Accounts receivable	38,456	39,322
Prepaid insurance	6,084	6,483
Total Current Assets	<u>320,782</u>	<u>262,599</u>
Noncurrent Assets:		
Restricted Assets-		
2017 ORWB loan proceeds-		
Debt service fund	21,554	21,938
Debt service reserve fund	49,781	48,395
Total Noncurrent Assets	<u>71,335</u>	<u>70,333</u>
Capital Assets:		
Water system and improvements	2,931,165	2,900,729
Office and other equipment	77,107	77,107
Total Capital Assets	<u>3,008,272</u>	<u>2,977,836</u>
Less: Accumulated Depreciation	<u>(1,317,934)</u>	<u>(1,249,372)</u>
Total Capital Assets (Net of Depreciation)	<u>1,690,338</u>	<u>1,728,464</u>
Debt Issue Costs (Net of Amortization)	<u>48,538</u>	<u>52,410</u>
TOTAL ASSETS	<u>\$ 2,130,993</u>	<u>\$ 2,113,806</u>
 <u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	\$ 22,084	\$ 30,503
Accrued interest	1,286	1,320
Current maturities of long-term debt	20,000	20,000
Total Current Liabilities	<u>43,370</u>	<u>51,823</u>
Noncurrent Liabilities:		
Notes payable-ORWB	<u>725,000</u>	<u>745,000</u>
Total Liabilities	<u>768,370</u>	<u>796,823</u>
 <u>NET POSITION</u>		
Invested in capital assets, net of related debt	945,338	963,464
Restricted for debt service	71,335	70,333
Unrestricted	<u>345,950</u>	<u>283,186</u>
Total Net Position	<u>1,362,623</u>	<u>1,316,983</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,130,993</u>	<u>\$ 2,113,806</u>

The accompanying notes are an integral part of the financial statements

Hughes County Rural Water District No. 5
Holdenville, Oklahoma
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

	<u>2022-23</u>	<u>-Memorandum- -Only- 2021-22</u>
Revenue from Operations:		
Water sales and services	\$ 451,100	\$ 507,912
Expenses from Operations:		
Water purchased	127,417	136,293
Insurance	7,516	6,293
Utilities and telephone	27,520	20,927
Dues, fees and testing	10,851	13,682
Rent and storage	1,200	2,400
Materials and supplies	13,760	23,419
Travel and fuel reimbursements	13,663	16,015
Miscellaneous	2,378	5,585
Depreciation	68,563	67,452
Amortization	3,869	3,869
Professional fees	4,950	423
Contract services - bookkeeping	30,571	30,400
Contract services - billing	4,380	17,554
Contract services - office manager	29,447	30,400
Contract services - maintenance	91,487	112,565
Software	7,870	7,581
Office supplies and postage	3,269	976
Total Expenses from Operations	<u>448,711</u>	<u>495,834</u>
Net Income (Loss) from Operations	2,389	12,078
Other Income and Expenses:		
Interest income	2,693	801
Interest on debt	(27,282)	(28,021)
ARPA grant funds	67,840	0
Total Other Income and Expenses	<u>40,558</u>	<u>(28,021)</u>
Net Income (Loss)	45,640	(15,142)
Net Position, Beginning of Period	<u>1,316,983</u>	<u>1,332,125</u>
Net Position, End of Period	<u><u>\$ 1,362,623</u></u>	<u><u>\$ 1,316,983</u></u>

The accompanying notes are an integral part of the financial statements

Hughes County Rural Water District No. 5
Holdenville, Oklahoma
Statement of Cash Flows
For the Year Ended June 30, 2023

	2022-23	-Memorandum- -Only- 2021-22
Cash flows from operating activities:		
Receipts from water sales	\$ 451,100	\$ 519,103
Payments to vendors	(383,465)	(423,900)
Net cash (used in) provided by operating activities	67,635	95,203
Cash flows from capital and related financing activities:		
Grant proceeds (ARPA)	67,840	0
Capital assets purchased	(30,436)	(11,528)
Interest paid on debt	(27,282)	(28,056)
Principal payments on debt	(20,000)	(20,000)
Net cash used in capital and related financing activities	(9,878)	(59,584)
Cash flows from investing activities:		
Interest on investments	2,693	801
Net increase (decrease) in cash and cash equivalents	60,450	36,420
Cash & cash equivalents, beginning of period	287,127	250,707
Cash & cash equivalents, end of period	\$ 347,577	\$ 287,127
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 2,389	\$ 12,078
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expense	72,432	71,323
Change in assets and liabilities:		
Accounts receivable, net	866	11,191
Prepaid expenses and other assets	399	(771)
Accounts payable	(8,451)	1,382
Net cash (used in) provided by operating activities	\$ 67,635	\$ 95,203

The accompanying notes are an integral part of the financial statements

Hughes County Rural Water District No. 5
Holdenville, Oklahoma

Notes to the Financial Statements

June 30, 2023

Note A – Significant Accounting Policies

Reporting Entity

Hughes County Rural Water District No. 5 (the “District”) was created under the provisions of Title 82, Oklahoma Statutes, Sections 1324.1-1324.26 inclusive, for the purpose of providing water to the members of the District it serves. 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.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and accrued liabilities are recognized when incurred. This basis of accounting is in accordance with generally accepted accounting principles.

Cash

The District’s accounts are with First United Bank, Holdenville, Oklahoma and at June 30, 2023 are detailed as follows:

Maintenance and operation account	\$ 175,584
Reserve account (considered unrestricted cash at June 30, 2023)	<u>100,658</u>
Total	<u>\$ 276,242</u>

Investments

There were no outstanding investments as of June 30, 2023.

Restricted Assets

In accordance with the prior loan agreement with GMAC Commercial Mortgage, the District was required to maintain a reserve fund in an amount equal to one year’s loan payments. Accordingly, the District was required to have \$6,372 in the reserve account at June 30, 2002. This loan was paid off by the District in the 2001-02 fiscal year. Therefore, these funds, which had a balance of \$100,658 are considered as unrestricted cash at June 30, 2023, but are still kept in the bank account called a “reserve account”.

Hughes County Rural Water District No. 5 Holdenville, Oklahoma

Notes to the Financial Statements
June 30, 2023

Note A – Significant Accounting Policies – cont'd

In accordance with the ORWB, two trustee accounts are required to be maintained at the Bank of Oklahoma. One, the debt service fund, for the payment of principal and interest on the note, had a balance of \$21,553 at June 30, 2023. The other, the debt service reserve fund, had a balance of \$49,781 at June 30, 2023.

Deposits and Investments

Custodial Credit Risk - At June 30, 2023, the District held deposits of approximately \$347,576 at financial institutions. The District's cash deposits are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk – The District has no policy that limits its investment choices other than the limitations of state law, as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a-d).

Hughes County Rural Water District No. 5
Holdenville, Oklahoma
Notes to the Financial Statements
June 30, 2023

Note A – Significant Accounting Policies – cont'd

Accounts Receivable

Billings for accounts receivable at June 30, 2023 were \$38,456. No allowance for doubtful accounts has been made since the amount would not be material to the financial statements.

Capital Assets

Capital (fixed) assets are defined as items purchased or constructed by the District, in excess of \$500, that have a useful life of more than three years. Capital assets are valued at cost and depreciation is computed by use of the straight-line method. The estimated useful lives for fixed assets are detailed as follows:

Water System	40 years
Office and Other Equipment	5-20 years

The capital asset information for the District is shown below:

	7/1/2022 Amount	Additions	6/30/2023 Amount
Water system	\$ 2,896,936	0	2,896,936
Other equipment	80,900	30,436	111,336
Total Capital Assets	2,977,836	30,436	3,008,272
Less: Accumulated Depreciation	(1,249,371)	(68,563)	(1,317,934)
Total	\$ 1,728,465	(38,127)	1,690,338

Hughes County Rural Water District No. 5
Holdenville, Oklahoma
Notes to the Financial Statements
June 30, 2023

Note A – Significant Accounting Policies – cont'd

Equity Classification

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

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) laws through constitutional provisions of enabling legislation.
3. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid investments, such as certificates of deposit maturing within 60 days of year end, as cash equivalents.

Note B – Long-Term Debt

In June 2017, the District was awarded a loan with the Oklahoma Water Resources Board in the amount of \$835,000. This loan was used to pay off the 2002 OWRB loan, and make water system improvements. The current interest rate for this loan is 2.20 percent, payable over 30 years. The local trustee for the loan is the Bank of Oklahoma, Oklahoma City, Oklahoma. A debt service fund is used to pay variable bi-annual loan payments. A debt service reserve fund is used to retain a percentage of the loan amount, which was accumulated from the proceeds, in total, at closing in the amount of \$49,781.

Hughes County Rural Water District No. 5
Holdenville, Oklahoma

Notes to the Financial Statements
June 30, 2023

Note B – Long-Term Debt – cont'd

At June 30, 2023, long-term debt is summarized as follows:

2017 OWRB Promissory Note:

Balance, June 30, 2022	\$ 765,000
Principal paid	<u>(25,000)</u>
Balance, June 30, 2023	<u>\$ 745,000</u>

The scheduled maturities for the next three (3) years and maturities in five (5) year increments thereafter are detailed as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-24	\$ 20,000	26,576	46,576
2024-25	20,000	25,936	45,936
2025-26	20,000	25,296	45,296
2026-31	110,000	113,962	223,962
2031-36	135,000	90,337	225,337
2036-41	160,000	65,628	225,628
2041-46	190,000	34,568	224,568
2046+	<u>90,000</u>	<u>3,330</u>	<u>93,330</u>
Totals	<u>\$ 745,000</u>	<u>385,633</u>	<u>1,130,633</u>

Note C – Debt Issue Costs

The amount paid by the District in the 2001-02 fiscal year to obtain the loans and grants to extend the water lines was \$56,113. This amount will be amortized using the straight-line method over the life of the ORWB loan (30 years) at 3.333 percent per year. For the first fiscal year (2001 – 02), only 75 percent of .0333 percent was amortized. In the 2002 – 03 year, the District paid \$11,500 in loan origination fees. The amount that will be amortized each fiscal year will be \$2,254. In the 2010-11 year, the District paid \$5,100 in loan origination fees. The amount that will be amortized each fiscal year will be \$340. In 2016-17, the District paid \$38,250 in debt costs, which will be amortized over 30 years, at an annual cost of \$1,275.

Hughes County Rural Water District No. 5 Holdenville, Oklahoma

Notes to the Financial Statements

June 30, 2023

Note D – Contributed Capital

In February 1986, the District received a grant of \$96,115 from the Oklahoma Water Resources Board and a grant of \$153,700 from Farmer's Home Administration. These grants were given to the District to assist with the construction of a water distribution system. In July 1999, the District received an emergency grant of \$84,991 from the Oklahoma Water Resources Board to assist with the extension of the water distribution system. In March 2002, the District received an emergency grant of \$100,000 from the Oklahoma Water Resources Board to further assist in the extension of water lines. In August 2003, the city of Wewoka contributed \$50,000 to connect to the District's lines. In the 2010-11 fiscal year, the District was awarded an \$85,000 REAP Grant for a line extension project. In the 2015-16 fiscal year, The District was awarded a \$31,000 REAP Grant from ORWA, and a \$133,700 Clean Water SRF Loan (which was forgiven into a grant upon completion in 2020-21) for upgrades and electronic meters. The remainder of this grant was received in 2016-17. The District added the contributed capital from Seminole Co. Rural Water District No. 5 during the 2016-17 fiscal year in the amount of \$199,769.

During the 2022-23 fiscal year, the District received \$67,840 in American Rescue Plan Act (ARPA) federal funds that was awarded to Hughes County and passed through to the District. The District spent a portion of the funds during the 2022-23 fiscal year on a generator and plans to use the remainder of the funds for line extensions.

Note E – Insurance and Surety Bond Coverage

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 carries commercial insurance for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note F – Major Suppliers

The District purchases their water from the City of Holdenville, the City of Wewoka and a private well owner, and are subject to water rate increases from these water sources.

Hughes County Rural Water District No. 5
Holdenville, Oklahoma
Notes to the Financial Statements
June 30, 2023

Note G – Subsequent Events

Management has evaluated subsequent events through November 8, 2023 which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

Hughes County Rural Water District No. 5
 Schedule of Water Rates and Customers
 -Unaudited Information-
 June 30, 2023

Water Rates:

Minimum bill	=	\$18.50
1,000 gallons +	=	\$6.00 per 1,000 gallons

Water Loss:

	<u>2022-23</u>	<u>2021-22</u>
Total gallons purchased	65,347,100	71,063,500
Total gallons sold to District customers	<u>(58,859,390)</u>	<u>(66,997,690)</u>
Total water loss	<u>6,487,710</u>	<u>4,065,810</u>
Percentage of water loss	<u>9.93%</u>	<u>5.72%</u>

(Source – Monthly Sales Loss Reports)

Customers:

The District had 387 customers at the end of the 2022-23 fiscal year.

Current membership fee is \$950.

Contracted Services:

The following amounts were paid for contracted services in the 2022-23 fiscal year:

Jessica Kiker, Bookkeeper	\$ 31,600
Tom Kiker, Maintenance/mileage	41,297
Kelly Huff, Manager	30,400
Steve Huff, Maintenance	64,176