

**Muskogee County Rural Water District No. 5  
Muskogee, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended December 31, 2022

Audited by

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

BROKEN ARROW, OK

**Muskogee County Rural Water District No. 5**  
**Muskogee, Oklahoma**  
Board of Directors  
December 31, 2022

**BOARD OF DIRECTORS**

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Robert Plunkett

**Vice Chairman**

Tony Burress

**Secretary/Treasurer**

Bettina Grandstaff

**Member**

Wayne Herriman

**Member**

Wilson Gonseth

**MANAGER**

Kentley D. McCullar

**ASSISTANT MANAGERS**

Eugene Rhodes  
Justin Thomas

**BOOKKEEPER**

Nancy Frisby

**CLERK**

Misty White

**Muskogee County Rural Water District No. 5**  
**Muskogee, Oklahoma**  
December 31, 2022

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Table of Contents	2
Independent Auditor's Report	3
Management's Discussion and Analysis	6
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	10
Disposition of Prior Year's Significant Deficiencies	12
Schedule of Audit Results	13
<u>COMBINED FINANCIAL STATEMENTS:</u>	
Statement of Net Position	14
Statement of Revenue, Expenses and Changes in Net Position	15
Statement of Cash Flows	16
Notes to Financial Statements	17
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
Schedule of Rates and Customers (unaudited)	22



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Muskogee County Rural Water District No. 5  
Muskogee, 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 Muskogee County Rural Water District No. 5, Muskogee, Oklahoma (the District), as of and for the year ended December 31, 2022 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 December 31, 2022 and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The prior year “memorandum only” comparative information and the supplementary information on page 22 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 March 9, 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

March 9, 2023

**RURAL WATER DISTRICT NO. 5, MUSKOGEE COUNTY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2022**

Our discussion and analysis of the Rural Water District No. 5, Muskogee County’s financial performance provides an overview of the District’s financial activities for the fiscal year ended December 31, 2022. Please read it in conjunction with the District’s financial statements that begin on page 14.

**FINANCIAL HIGHLIGHTS**

- The District’s total operating revenues exceeded total operating expenses by \$60,596. Overall, the District’s cash and cash equivalents increased by \$206,602 in the current fiscal year.
- The District had \$7,279 in interest earnings during the current fiscal year.
- The District increased water rates in 2022 to keep up with increased costs.
- The District currently has no long-term debt.

**Using This Report**

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District’s basis of accounting.

**Basis of Accounting**

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

**The Financial Statements**

One of the most important questions asked about the District’s finances is, “Is the District as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question. These three statements report the District’s net position and the changes in them. You can think of the District’s net position – the difference between

assets and liabilities – as one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in water rates paid or charged and the condition of the District’s water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

**Net Position, and Changes in Net Position**

The District’s Net Position increased in 2022 increasing from \$3,014,671 to \$3,194,350. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District’s business-type activities.

**Table 1 – Net Position:**

	<u>2022</u>	<u>2021</u>	<u>Variances</u>
Current and other assets	\$ 1,571,007	1,349,482	221,525
Capital assets, net	<u>1,623,343</u>	<u>1,706,687</u>	<u>(83,344)</u>
Total Assets	<u>\$ 3,194,350</u>	<u>3,056,169</u>	<u>138,181</u>
Current liabilities	<u>\$ 46,804</u>	<u>41,498</u>	<u>(5,306)</u>
Net invest. In capital assets	1,623,343	1,706,687	(83,344)
Unrestricted	<u>1,524,203</u>	<u>1,307,984</u>	<u>216,219</u>
Total Net Position	<u>3,147,546</u>	<u>3,014,671</u>	<u>132,875</u>
Total Liab. & Net Position	<u>\$ 3,194,350</u>	<u>3,056,169</u>	<u>127,569</u>

Net Position of the District increased by 4.4 percent (\$3,147,546 compared to \$3,014,671). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$1,307,984 to \$1,524,203.



**Table 2 – Changes in Net Position:**

	<u>2022</u>	<u>2021</u>	<u>Variances</u>
<b>Revenues:</b>			
Charges for services	\$ 1,074,042	934,033	140,009
Benefit units	65,000	46,300	18,700
Reimb - Cherokee Nat'n	-	93,556	(93,556)
Interest	7,279	9,684	(2,405)
Total Revenues	<u>1,146,321</u>	<u>1,083,573</u>	<u>62,748</u>
<b>Expenses:</b>			
Salaries, taxes and benefits	233,182	226,197	(6,985)
Maintenance and repairs	214,550	205,919	(8,631)
Other expenses	106,458	107,015	557
Depreciation	98,010	97,628	(382)
Water purchases	361,246	330,957	(30,289)
Total Expenses	<u>1,013,446</u>	<u>967,716</u>	<u>(45,730)</u>
Changes in Net Position	132,875	115,857	17,018
Net Position, Beginning	<u>3,014,671</u>	<u>2,898,814</u>	<u>115,857</u>
Net Position, Ending	<u>\$ 3,147,546</u>	<u>3,014,671</u>	<u>132,875</u>

The District's total revenues increased by 5.8 percent (\$62,748). The total cost of all services (expenses) increased by 4.7 percent (\$45,730).

### **Capital Assets**

At December 31, 2021 the District had \$1,623,343 invested in capital assets, net of depreciation, including land, the water system, vehicles and equipment. Our member numbers have grown to 1,825 during 2022. Growth in our area is still a major factor and the City has yet to offer us additional allocation of water. Without the City of Muskogee allocating additional water the District may, in the future, be required to restrict or deny new taps.

### **Long-Term Debt**

The District paid off the note to the Oklahoma Water Resources Board during the 2017 year. As of December 31, 2022 the District has no outstanding debt.

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

We are still within the same guidelines on our budget expenses. The fact that the price increases, our large growth rate and the age of our system will cause us to raise water rates periodically to keep your District in a financially sound condition. Gradual increases will be more effective and easier to absorb than if we have to have a large increase at once. The Board has our rate studies prepared by Community Resource Group, a State Agency, to analyze our income to debt/expense ratio.

The Board of Directors may change the budget for the fiscal year 2023 somewhat to allow for a more compatible ratio between income and expenses. To better allow for office and field personnel operations, and if there is a need for added staffing or equipment. With the expansion of Muskogee City Water Treatment Plant, their cost of water to us increased over 5% in 2012. Water rates will need to be adjusted to be able to pay for the increases imposed by the City of Muskogee.

The District's budget for fiscal year 2023 will remain much like previous year budget, with the exceptions allowing for the increased expenses and our recent rate increase for added income. Your Board of Directors may change the budget somewhat to better allow for office and field personnel operations, and if there is a need for added staffing.

## **Contacting the District's Management**

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District Office at 7181 South Cherokee St., Muskogee, OK 74403 or call (918) 682-6380.

As always, our office personnel, Nancy Frisby and Misty White are prepared to assist you with your water district questions. Our manager, Kentley McCullar and assistant managers, Eugene Rhodes and Justin Thomas will be happy to assist you with water line and meter questions.



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

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

Board of Directors  
Muskogee County Rural Water District No. 5  
Muskogee, 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 Muskogee County Rural Water District No. 5, Muskogee, Oklahoma (the "District"), as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 9, 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, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Bledsoe, Hewett & Gullekson*

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

March 9, 2023

**MUSKOGEE COUNTY RURAL DISTRICT NO. 5**  
**Disposition of Prior Year's Significant Deficiencies**  
**December 31, 2022**

There were no prior year significant deficiencies.

**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5**  
**Schedule of Audit Results**  
**December 31, 2022**

Section 1 – Summary of Auditor’s Results

1. An unmodified opinion report was issued on the financial statements.
2. The audit did not identify any material weaknesses and did not report any significant deficiencies not considered to be material weaknesses in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

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

NONE

**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5**

## Statement of Net Position

December 31, 2022

	<u>2022</u>	<u>-Memorandum- -Only- 2021</u>
<b><u>ASSETS:</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 498,456	\$ 437,381
Investments	950,901	805,374
Accounts receivable	76,849	63,157
Inventory of supplies	31,668	32,015
Prepaid assets	13,133	11,555
Total current assets	<u>1,571,007</u>	<u>1,349,482</u>
Capital Assets-		
Land	13,272	13,272
Water system	3,469,846	3,469,846
Buildings and furnishings	246,930	245,060
Vehicles and equipment	495,983	483,187
Total capital assets	<u>4,226,031</u>	<u>4,211,365</u>
Less: accumulated depreciation	<u>(2,602,688)</u>	<u>(2,504,678)</u>
Total capital assets, net of depreciation	<u>1,623,343</u>	<u>1,706,687</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,194,350</u></b>	<b><u>\$ 3,056,169</u></b>
 <b><u>LIABILITIES:</u></b>		
Current Liabilities:		
Accounts payable	\$ 39,625	\$ 34,174
Deferred revenues	7,179	7,324
Total current liabilities	<u>46,804</u>	<u>41,498</u>
 <b><u>NET POSITION:</u></b>		
Net investment in capital assets	1,623,343	1,706,687
Unrestricted assets	<u>1,524,203</u>	<u>1,307,984</u>
Total Net Position	<u>3,147,546</u>	<u>3,014,671</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 3,194,350</u></b>	<b><u>\$ 3,056,169</u></b>

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

**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For The Year Ended December 31, 2022**

	<u>2022</u>	<u>-Memorandum- -Only- 2021</u>
<b>Operating Revenues:</b>		
Water sales	\$ 999,506	\$ 870,423
Fees and fines	44,962	36,820
Misc refunds and reimb	29,574	26,790
Total revenue from operations	<u>1,074,042</u>	<u>934,033</u>
<b>Operating Expenses:</b>		
Salaries and benefits	233,182	226,197
Water purchases	361,246	330,957
Repairs and maintenance	157,853	182,641
Vehicle/fuel expense	49,188	23,278
Utilities and telephone	26,181	22,369
Insurance	20,159	25,336
Office expense and postage	32,018	33,756
Depreciation	98,010	97,628
Professional fees	4,300	3,600
Water testing	7,509	5,667
Bank/credit card fees	17,132	14,752
Miscellaneous	6,668	1,535
Total expenses from operations	<u>1,013,446</u>	<u>967,716</u>
Operating Income (Loss)	60,596	(33,683)
<b>Non-Operating Revenues (Expenses):</b>		
Benefit units	65,000	46,300
Interest income	7,279	9,684
Reimb from Cherokee Nation	0	93,556
Total non-operating revenues (expenses)	<u>72,279</u>	<u>149,540</u>
Change in Net Position	132,875	115,857
Total Net Position, beginning of period	<u>3,014,671</u>	<u>2,898,814</u>
Total Net Position, end of period	<u>\$ 3,147,546</u>	<u>\$ 3,014,671</u>

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



**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5**

Statement of Cash Flows  
For the Year Ended December 31, 2022

	<u>2022</u>	<u>-Memorandum- -Only- 2021</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$ 1,045,087	\$ 909,465
Payments to employees	(195,727)	(201,693)
Payments to vendors	(700,371)	(613,291)
Net Cash Provided by Operating Activities	<u>148,989</u>	<u>94,481</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Benefit units sold	65,000	46,300
Reimb from Choctaw Nation	0	93,556
Purchase of capital assets	(14,666)	(133,242)
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>50,334</u>	<u>6,614</u>
<b>Cash Flows from Investing Activities:</b>		
Interest earned on investments	<u>7,279</u>	<u>9,684</u>
Net Increase (Decrease) in Cash	206,602	110,779
Cash and cash equivalents, beginning of period	<u>1,242,755</u>	<u>1,131,976</u>
Cash and cash equivalents, end of period	<u>\$ 1,449,357</u>	<u>\$ 1,242,755</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating Income	\$ 60,596	\$ (33,683)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	98,010	97,628
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(13,692)	2,075
(Increase) decrease in supplies inventory	347	1,720
(Increase) decrease in prepaid insurance	(1,578)	(1,055)
Increase (decrease) in accounts payable	5,451	24,358
Increase (decrease) in deferred revenues	(145)	3,438
Net cash provided by operating activities	<u>\$ 148,989</u>	<u>\$ 94,481</u>

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

## MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5

### Muskogee, Oklahoma

Notes to the Financial Statements

December 31, 2022

#### **Note A – Significant Accounting Policies**

##### Organization

Muskogee County Rural Water District No. 5 (the District) is an Oklahoma water district organized under Title 82 of Oklahoma Statutes, Sections 1324.1-1324.26 inclusive, to provide water service to rural residents of Muskogee County, Oklahoma. The District is considered a subdivision of the State of Oklahoma. The District is exempt from federal and state income taxes. The membership consists of approximately 1,825 members.

The District is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost (expenses, including depreciation) of providing water services is financed through user charges. The District purchases its water supply from the City of Muskogee.

##### Basis of Accounting

The accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America is followed for all accounts. Revenues are recorded when earned and liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles. The District has also complied with GASB Statement No. 34 financial reporting requirements.

##### Deposits and Investments

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Bank deposits are held at several financial institutions and are carried at cost. For purposes of statements of cash flows, the District considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Custodial Credit Risk - At December 31, 2022 the District held deposits of approximately \$1,449,357 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5**

**Muskogee, Oklahoma**

Notes to the Financial Statements

December 31, 2022

**Note A – Significant Accounting Policies – cont’d**

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).

The investments held at December 31, 2022 are as follows:

	Wtd. Avg Maturity	Credit Rating	Market	Cost
Money market/checking	N/A	AAAm	\$ 498,456	498,456
Certificates of deposit	1.0 Yr	N/A	950,901	950,901
<b>Total Deposits</b>			<b>\$ 1,449,357</b>	<b>1,449,357</b>

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 65% in Certificates of Deposit (\$950,901) and 35% in Money Market/checking funds (\$498,456).

**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5**

**Muskogee, Oklahoma**

Notes to the Financial Statements

December 31, 2022

**Note A – Significant Accounting Policies – cont'd**

Fair Value of Financial Instruments – The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair values because of the short maturity of these instruments.

Accounts Receivable

Billings for accounts receivable at December 31, 2022 were \$76,849. No allowance for doubtful accounts was computed because the effect of bad debts on the financial statements is not considered material.

Accumulated Unpaid Vacation and Sick Pay

At December 31, 2022 no determination of the aggregate dollar value of vacation or sick pay had been made.

Inventories

Inventories consist primarily of materials and supplies for repairs and improvements of existing water lines, meters and all other capital assets. Inventory is valued at cost, principally on a first-in, first-out basis, but not in excess of market.

**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5**

**Muskogee, Oklahoma**

Notes to the Financial Statements

December 31, 2022

**Note A – Significant Accounting Policies – cont’d**

Capital Assets

Any items purchased or constructed in excess of \$1,000 and a useful life of over two years is considered a capital (fixed) asset by the District, and will be depreciated over a specific time. Capital assets are valued at cost, depreciation is computed by use of the straight-line method. The estimated useful lives of these assets are as follows:

Land	N/A
Office furniture & fixtures	3-7 years
Equipment & tools	5-10 years
Transportation equipment	5 years
Water & sewer system	50 years
Buildings	31 years

The capital asset information for the District is shown below:

	12/31/2021			12/31/2022
	Amount	Additions	Deletions	Amount
Land	\$ 13,272	-	-	13,272
Building	182,260	-	-	182,260
Office equipment	62,801	1,870	-	64,671
Plant and water sys.	3,469,846	-	-	3,469,846
Vehicles and equip.	483,186	12,796	-	495,982
Total Capital Assets	4,211,365	14,666	-	4,226,031
Less: Accumulated Depreciation	(2,504,678)	(98,010)	-	(2,602,688)
Total	\$ 1,706,687	(83,344)	-	1,623,343

**MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5**  
**Muskogee, Oklahoma**  
Notes to the Financial Statements  
December 31, 2022

**Note B – Notes Payable**

The District has no outstanding debt as of December 31, 2022.

**Note C – Employee Benefits**

The Board approved a Simplified Employee Pension (SEP) plan for all full-time employees, effective January 1, 2022. The District will contribute 7.0% of 40 hours at regular pay to the plan plus the annual fees for the plan. In 2022 the District contributed \$9,257 to the SEP plan.

The District will also pay the employee portion of dental, vision and life insurance for all full-time employees effective January 1, 2022.

**Note D – Other Commitments/Contingencies**

Contributed capital was provided by payments of \$131,998 from the Oklahoma Department of Transportation to reimburse the District for relocation of lines in 2003 and a \$100,000 Emergency Grant from the Oklahoma Water Resources Board to assist in building and improving the water system in 2005.

Management has evaluated subsequent events through March 10, 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.

**MUSKOGEE COUNTY RURAL DISTRICT NO. 5**  
**Schedule of Water Rates and Customers**  
**-Unaudited Information-**  
**December 31, 2022**

**Water Rates**

0 – 100 gallons	=	\$20.00 minimum bill
101 – 8,800 gallons	=	\$0.45 per 100 gallons
8,801 – 18,000 gallons	=	\$0.63 per 100 gallons
18,001 – 27,000 gallons	=	\$0.90 per 100 gallons
Over 27,001 gallons	=	\$1.13 per 100 gallons

Effective date – April 20, 2022

**Water Loss**

	<u>2022</u>	<u>2021</u>
Total gallons purchased and produced	150,635,596	131,007,477
Total gallons sold to District customers	<u>(111,935,920)</u>	<u>(102,704,436)</u>
Total water loss	<u>38,699,676</u>	<u>28,300,041</u>
Percentage of water loss	<u>25.69%</u>	<u>21.60%</u>

(Source – Monthly Billing Recap)

**Customers**

The District had 1,825 active customers at the close of the fiscal year.

Current membership fee structure:

- \$1,575 per meter if meter is already in place
- \$1,875 per meter for new meter with line on side of road
- \$2,625 per meter for new meter that requires road bore (line on other side of road)