

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

Financial Statements and Auditor's Reports

Year Ended December 31, 2023

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, 2023

BOARD OF DIRECTORS

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Robert Plunkett

Vice Chairman

Tony Burress

Secretary/Treasurer

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Member

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Member

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Kentley D. McCullar

ASSISTANT MANAGERS

Eugene Rhodes
Justin Thomas

BOOKKEEPER

Nancy Frisby

Muskogee County Rural Water District No. 5
Muskogee, Oklahoma
December 31, 2023

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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, 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 December 31, 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

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 February 23, 2024 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

February 23, 2024

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Our discussion and analysis of Muskogee County Rural Water District No. 5's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2023. 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 \$112,972. Overall, the District's cash and cash equivalents increased by \$87,252 in the 2023 fiscal year.
- The District earned \$28,165 in interest income during the 2023 fiscal year compared to \$7,279 in the 2022 fiscal year.
- The District purchased several assets that were capitalized in the 2023 fiscal year, including a truck, tower renovations, office renovations, meters and other water line equipment.
- As of the end of the fiscal year, the District maintained 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 2023 increasing from \$3,147,546 to \$3,323,453. 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>2023</u>	<u>2022</u>	<u>Variances</u>
Current and other assets	\$ 1,634,732	1,571,007	63,725
Capital assets, net	<u>1,751,056</u>	<u>1,623,343</u>	<u>127,713</u>
Total Assets	<u>\$ 3,385,788</u>	<u>3,194,350</u>	<u>191,438</u>
Current liabilities	<u>\$ 62,335</u>	<u>46,804</u>	<u>(15,531)</u>
Net invest. In capital assets	1,751,056	1,623,343	127,713
Unrestricted	<u>1,572,397</u>	<u>1,524,203</u>	<u>48,194</u>
Total Net Position	<u>3,323,453</u>	<u>3,147,546</u>	<u>175,907</u>
Total Liab. & Net Position	<u>\$ 3,385,788</u>	<u>3,194,350</u>	<u>160,376</u>

Net Position of the District increased by 5.5 percent (\$3,323,453 compared to \$3,147,546). 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 \$1,524,203 to \$1,572,397.

Table 2 – Changes in Net Position:

	<u>2023</u>	<u>2022</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 1,042,900	1,074,042	(31,142)
Benefit units	34,770	65,000	(30,230)
Interest	28,165	7,279	20,886
Total Revenues	<u>1,105,835</u>	<u>1,146,321</u>	<u>(40,486)</u>
Expenses:			
Salaries, taxes and benefits	278,692	233,182	(45,510)
Maintenance and repairs	110,963	214,550	103,587
Other expenses	114,745	106,458	(8,287)
Depreciation	110,244	98,010	(12,234)
Water purchases	315,284	361,246	45,962
Total Expenses	<u>929,928</u>	<u>1,013,446</u>	<u>83,518</u>
Changes in Net Position	175,907	132,875	43,032
Net Position, Beginning	<u>3,147,546</u>	<u>3,014,671</u>	<u>132,875</u>
Net Position, Ending	<u>\$ 3,323,453</u>	<u>3,147,546</u>	<u>175,907</u>

The District's total revenues decreased by 3.5 percent (\$40,486). The total cost of all expenses, not including capital asset expenses, decreased by 8.2 percent (\$83,518).

Capital Assets

As of December 31, 2023, the District had \$1,751,056 invested in capital assets, net of depreciation, including land, the water system, vehicles and equipment.

Long-Term Debt

The District paid off the note to the Oklahoma Water Resources Board during the 2017 year. As of December 31, 2023, the District maintains 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 2024 somewhat to allow for a more compatible ratio between income and expenses, in case there is a need for additional office or field personnel operations, additional staffing or equipment. With the expansion of Muskogee City Water Treatment Plant, the cost of water sold to us has increased. Water rates may to be adjusted in future years to be able to pay for the increases imposed by the City of Muskogee.

The District's budget for fiscal year 2024 will remain much like the previous year's 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 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
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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, 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 February 23, 2024.

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*. However, we noted some immaterial instances of noncompliance that we have noted in a separate letter to management dated February 23, 2024.

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

February 23, 2024

MUSKOGEE COUNTY RURAL DISTRICT NO. 5
Disposition of Prior Year's Significant Deficiencies and Material Instances of
Noncompliance
December 31, 2023

There were no prior year significant deficiencies or material instances of noncompliance.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5
Schedule of Audit Results, Findings & Questioned Costs
December 31, 2023

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, 2023

	2023	-Memorandum- -Only- 2022
<u>ASSETS:</u>		
Current Assets:		
Cash and cash equivalents	\$ 559,719	\$ 498,456
Investments	976,890	950,901
Accounts receivable	54,174	76,849
Inventory of supplies	31,668	31,668
Prepaid assets	12,281	13,133
Total current assets	<u>1,634,732</u>	<u>1,571,007</u>
Capital Assets-		
Land	13,272	13,272
Water system	3,501,922	3,469,846
Buildings and furnishings	250,605	246,930
Vehicles and equipment	698,189	495,983
Total capital assets	<u>4,463,988</u>	<u>4,226,031</u>
Less: accumulated depreciation	<u>(2,712,932)</u>	<u>(2,602,688)</u>
Total capital assets, net of depreciation	<u>1,751,056</u>	<u>1,623,343</u>
TOTAL ASSETS	<u>\$ 3,385,788</u>	<u>\$ 3,194,350</u>
 <u>LIABILITIES:</u>		
Current Liabilities:		
Accounts payable	\$ 56,341	\$ 39,625
Deferred revenues	5,994	7,179
Total current liabilities	<u>62,335</u>	<u>46,804</u>
 <u>NET POSITION:</u>		
Net investment in capital assets	1,751,056	1,623,343
Unrestricted assets	<u>1,572,397</u>	<u>1,524,203</u>
Total Net Position	<u>3,323,453</u>	<u>3,147,546</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,385,788</u>	<u>\$ 3,194,350</u>

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, 2023

	2023	-Memorandum- -Only- 2022
Operating Revenues:		
Water sales	\$ 975,817	\$ 999,506
Fees and fines	56,403	44,962
Misc refunds and reimb	10,680	29,574
Total revenue from operations	1,042,900	1,074,042
Operating Expenses:		
Salaries, benefits and taxes	278,692	233,182
Water purchases	315,284	361,246
Repairs and maintenance	71,880	157,853
Vehicle/fuel expense	33,525	49,188
Utilities and telephone	24,880	26,181
Insurance	24,585	20,159
Office expense and postage	42,534	32,018
Depreciation	110,244	98,010
Professional fees	4,052	4,300
Water testing	5,558	7,509
Bank/credit card fees	15,274	17,132
Miscellaneous	3,420	6,668
Total expenses from operations	929,928	1,013,446
Operating Income (Loss)	112,972	60,596
Non-Operating Revenues (Expenses):		
Benefit units	34,770	65,000
Interest income	28,165	7,279
Total non-operating revenues (expenses)	62,935	72,279
Change in Net Position	175,907	132,875
Total Net Position, beginning of period	3,147,546	3,014,671
Total Net Position, end of period	\$ 3,323,453	\$ 3,147,546

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, 2023

	<u>2023</u>	<u>-Memorandum- -Only- 2022</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 1,065,575	\$ 1,045,087
Payments to employees	(227,761)	(195,727)
Payments to vendors	(575,540)	(700,371)
Net Cash Provided by Operating Activities	<u>262,274</u>	<u>148,989</u>
Cash Flows from Capital and Related Financing Activities:		
Benefit units sold	34,770	65,000
Purchase of capital assets	(237,957)	(14,666)
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>(203,187)</u>	<u>50,334</u>
Cash Flows from Investing Activities:		
Interest earnings	<u>28,165</u>	<u>7,279</u>
Net Increase (Decrease) in Cash	87,252	206,602
Cash and cash equivalents, beginning of period	<u>1,449,357</u>	<u>1,242,755</u>
Cash and cash equivalents, end of period	<u>\$ 1,536,609</u>	<u>\$ 1,449,357</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income	\$ 112,972	\$ 60,596
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	110,244	98,010
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	22,675	(13,692)
(Increase) decrease in supplies inventory	0	347
(Increase) decrease in prepaid insurance	852	(1,578)
Increase (decrease) in accounts payable	16,716	5,451
Increase (decrease) in deferred revenues	(1,185)	(145)
Net cash provided by operating activities	<u>\$ 262,274</u>	<u>\$ 148,989</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, 2023

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 1,800 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, 2023 the District held deposits of approximately \$1,541,677 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, 2023

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, 2023 are as follows:

	Wtd. Avg Maturity	Credit Rating	Market	Cost
Money market/checking	N/A	AAAm	\$ 564,787	564,787
Certificates of deposit	1.0 Yr	N/A	976,890	976,890
Total Deposits			<u>\$ 1,541,677</u>	<u>1,541,677</u>

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: 63% in Certificates of Deposit (\$976,890) and 37% in Money Market/checking funds (\$564,787).

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5
Muskogee, Oklahoma
Notes to the Financial Statements
December 31, 2023

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, 2023 were \$54,174. 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, 2023 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, 2023

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:

	12/31/2022			12/31/2023
	<u>Amount</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount</u>
Land	\$ 13,272	-	-	13,272
Building	182,260	-	-	182,260
Office equipment	64,671	3,675	-	68,346
Plant and water sys.	3,469,846	32,076	-	3,501,922
Vehicles and equip.	495,982	222,206	(20,000)	698,188
Total Capital Assets	4,226,031	257,957	(20,000)	4,463,988
Less: Accumulated Depreciation	<u>(2,602,688)</u>	<u>(110,244)</u>	<u> </u>	<u>(2,712,932)</u>
Total	<u>\$ 1,623,343</u>	<u>147,713</u>	<u> </u>	<u>1,751,056</u>

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5
Muskogee, Oklahoma
Notes to the Financial Statements
December 31, 2023

Note B – Notes Payable

The District maintained no outstanding debt as of December 31, 2023.

Note C – Employee Benefits

The Board approved a Simplified Employee Pension (SEP) plan for all full-time employees, effective January 1, 2022. The District contributes 7.0% of 40 hours at regular pay to the plan plus the annual fees for the plan. In 2023, the District contributed \$14,495 to the SEP plan. The District also pays an employer-approved premium of dental, vision and life insurance for all full-time employees.

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 was received from the Oklahoma Water Resources Board to assist in building and improving the water system in 2005.

Management has evaluated subsequent events through February 23, 2024, 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, 2023

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

Water Loss

	<u>2023</u>	<u>2022</u>
Total gallons purchased and produced	135,985,652	150,635,596
Total gallons sold to District customers	<u>(107,778,345)</u>	<u>(111,935,920)</u>
Total water loss	<u>28,207,307</u>	<u>38,699,676</u>
Percentage of water loss	<u>20.74%</u>	<u>25.69%</u>

(Source – Monthly Billing Recap)

Customers

The District had 1,838 active customers at the close of the fiscal year.

Current membership fee structure:

- \$1,575 per meter if meter can is already in place and is not damaged
- \$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)



BLEDSON, HEWETT & GULLEKSON
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February 23, 2024

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

Dear Board of Directors:

The following section contains the observations and recommendations relayed to management that are immaterial compliance findings, which we feel need to be communicated to you so that appropriate action may be taken to correct these deficiencies. These items are not included, but are referred to, in your audit report, as they are not considered material in nature, but are findings worthy of being mentioned.

Board Minutes

1. We observed that the 2023 calendar of meeting dates was not approved by the Board of Directors until the February 16, 2023, board meeting. Oklahoma Statutes require that each governing board provide written notice to the County Clerk of all upcoming meetings for each calendar year by December 15th of the previous year.
2. We observed an "emergency" meeting was held on May 19, 2023, for the purpose of making decisions on some certificate of deposit investments. An "Emergency" is defined as "a situation involving injury or imminent threat of injury to persons or injury or imminent threat of injury or damage to public or personal property or immediate financial loss, and the requirements for public notice of a special meeting would make such procedure impractical and increase the likelihood of injury, damage, or immediate financial loss." We recommend that "special" meetings be held when necessary for non-emergency events or decisions, and that emergency meetings only be held when the above definition can be met.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

Eric M. Bledsoe