

**Rogers County Rural Water District No. 5
Claremore, Oklahoma**

Financial Statements and Auditor's Reports

Fiscal Year Ended May 31, 2024

Audited by

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

BROKEN ARROW, OK

Rogers County Rural Water District No. 5
Claremore, Oklahoma
Board of Directors
May 31, 2024

BOARD OF DIRECTORS

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Vice-Chairman

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Secretary/Treasurer

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MANAGER

Steve Dunavant

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Rogers County Rural Water District No. 5
Claremore, Oklahoma
May 31, 2024

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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

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

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Rogers County Rural Water District No. 5 (the District), Claremore, Oklahoma, as of and for the year ended May 31, 2024, 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 May 31, 2024, 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 24 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 July 22, 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

July 22, 2024

RURAL WATER DISTRICT NO. 5, ROGERS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2024

Our discussion and analysis of the Rural Water District No. 5, Rogers County's financial performance provides an overview of the District's financial activities for the fiscal year ended May 31, 2024. 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 \$2,004,863. Overall, the District's cash and cash equivalents increased by \$1,765,466 in the current fiscal year.
- The District earned a total of \$273,205 in interest in 2023-24 on bank accounts and certificates of deposit, an increase of over 146,000 compared to 2022-23.
- Membership numbers increased in 2023-24, with total users reaching around 5,454 at year-end.
- The District continued paying on their two outstanding notes.
- The District approved a rate increase, effective 9-1-23, which will be used to keep up with the rising costs of water, chemicals, materials, supplies and labor.

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 assets 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 assets 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 was higher in 2023-24, increasing from \$16,779,282 to \$18,641,573. 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:

	2023-24	2022-23	Variances
Current and other assets	\$ 8,721,729	6,804,674	1,917,055
Capital assets, net	11,034,730	11,428,281	(393,551)
Total Assets	<u>\$ 19,756,459</u>	<u>18,232,955</u>	<u>1,523,504</u>
Current liabilities	\$ 358,233	364,025	5,792
Long-term liabilities	756,653	1,089,648	332,995
Total Liabilities	<u>\$ 1,114,886</u>	<u>1,453,673</u>	<u>338,787</u>
Invest. In capital assets, net of related debt	\$ 9,945,082	10,007,316	(62,234)
Restricted	6,552	6,552	-
Unrestricted	8,689,939	6,765,414	1,924,525
Total Net Position	<u>\$ 18,641,573</u>	<u>16,779,282</u>	<u>1,862,291</u>

Net Position of the District increased by 11.10 percent (\$18,641,573 compared to \$16,779,282). 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 \$6,765,414 to \$8,689,939.

Table 2 – Changes in Net Position:

	<u>2023-24</u>	<u>2022-23</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 3,960,372	2,887,399	1,072,973
Other revenue	124,498	103,769	20,729
Reimbursements	40,480	1,153,937	(1,113,457)
Memberships	61,000	70,800	(9,800)
Sale of equipment	-	7,000	(7,000)
Interest	273,205	126,996	146,209
Total Revenues	<u>\$ 4,459,555</u>	<u>4,349,901</u>	<u>109,654</u>
Expenses:			
Salaries, taxes and benefits	\$ 414,292	385,337	(28,955)
Plant supplies/chemicals	626,405	542,619	(83,786)
Maintenance and repairs	245,341	818,606	573,265
Other expenses	796,290	134,098	(662,192)
Depreciation	507,459	502,233	(5,226)
Interest on debt	7,477	11,192	3,715
Total Expenses	<u>\$ 2,597,264</u>	<u>2,394,085</u>	<u>(203,179)</u>
Changes in Net Position	1,862,291	1,955,816	(93,525)
Net Position, Beginning	<u>16,779,282</u>	<u>14,823,466</u>	<u>1,955,816</u>
Net Position, Ending	<u>\$ 18,641,573</u>	<u>16,779,282</u>	<u>1,862,291</u>

The District's total revenues increased by 2.52 percent (\$109,654). The total cost of all services increased by 8.49 percent (\$203,179).

Capital Assets

At May 31, 2024, the District had \$11,034,729 invested in capital assets, net of depreciation, including land, buildings, the water system, vehicles and equipment. The District made some water system improvements and replacements in 2023-24, which includes a three phase Highway 20 relocation project. The District's total capital assets increased by \$113,908 in 2023-24.

Long-Term Debt

The District is indebted to Oklahoma Water Resources Board on one note obtained for extensive water system extensions and a note from CoBank obtained to refinance and pay off existing debt. The outstanding principal balance owed on the notes decreased from \$1,420,965 to \$1,089,648 during the 2023-24 fiscal year.

Economic Factors and Next Year's Budget and Rates

DEQ/EPA has new regulations for all Rural Water Districts. There will be continuing substantial costs associated with these test requirements, along with increasing chemical costs.

The District's operating budget for fiscal year 2024-25 will remain much like previous years budgets.

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 P.O. Box 1980, Claremore, OK 74018 or call (918) 266-4634.



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Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA
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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
Rogers County Rural Water District No. 5
Claremore, 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 Rogers County Rural Water District No. 5 (the District), Claremore, Oklahoma, as of and for the year ended May 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 22, 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 have not been 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

July 22, 2024

ROGERS COUNTY RURAL WATER DISTRICT NO. 5
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES
MAY 31, 2024

There were no prior year significant deficiencies.

ROGERS COUNTY RURAL WATER DISTRICT NO. 5
SCHEDULE OF AUDIT RESULTS
MAY 31, 2024

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 were material to the financial statements.

Section 2 – Findings relating to the financial statements required to be reported in accordance with Generally Accepted Government Auditing Standards:

None

ROGERS COUNTY RURAL WATER DISTRICT NO. 5

Statement of Net Position

May 31, 2024

	MAY 31,	
	2024	(memo only) 2023
<u>ASSETS:</u>		
Current Assets:		
Cash and cash equivalents	\$ 7,048,464	\$ 5,297,248
Investments	1,284,180	1,269,930
Current portion of receivables	320,930	224,211
Prepaid assets	59,996	2,805
Total current assets	<u>8,713,570</u>	<u>6,794,194</u>
Noncurrent Assets:		
Restricted cash-		
Debt service - CoBank	6,552	6,552
Capital Assets-		
Land	170,611	170,611
Plant and water systems, net	10,784,364	11,141,975
Office equipment, net	2,801	3,983
Automobiles and equipment, net	76,954	111,712
Total noncurrent assets	<u>11,041,282</u>	<u>11,434,833</u>
Other Assets:		
Loan costs, net of amortization	1,407	3,728
Utility deposits	200	200
Total other assets	<u>1,607</u>	<u>3,928</u>
Total Assets	<u>\$ 19,756,459</u>	<u>\$ 18,232,955</u>
<u>LIABILITIES:</u>		
Current Liabilities:		
Accounts payable	\$ 23,611	\$ 30,580
Accrued liabilities	1,627	2,128
Current portion of long-term debt	332,995	331,317
Total current liabilities	<u>358,233</u>	<u>364,025</u>
Noncurrent Liabilities:		
Long-term debt	<u>756,653</u>	<u>1,089,648</u>
Total Liabilities	<u>1,114,886</u>	<u>1,453,673</u>
<u>NET POSITION:</u>		
Net investment in capital assets	9,945,082	10,007,316
Restricted for debt service	6,552	6,552
Unrestricted assets	<u>8,689,939</u>	<u>6,765,414</u>
Total Net Position	<u>18,641,573</u>	<u>16,779,282</u>
Total Liabilities and Net Position	<u>\$ 19,756,459</u>	<u>\$ 18,232,955</u>

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

ROGERS COUNTY RURAL WATER DISTRICT NO. 5
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended May 31, 2024

	2023-24	(memo only) 2022-23
Revenue from Operations:		
Water sales	\$ 3,960,372	\$ 2,887,399
Taps and reconnects	23,550	31,950
Other income	100,948	71,819
Total revenue from operations	<u>4,084,870</u>	<u>2,991,168</u>
Expenses from Operations:		
Salaries and taxes	414,292	385,337
Plant supplies/ Chemicals	626,205	542,619
Utilities	185,120	185,143
Contract Labor	190,174	194,710
Repairs and maintenance	245,341	275,987
Water purchases	117,524	5,004
Office	2,767	4,202
Vehicle expense	31,324	26,162
Insurance	109,506	116,968
Professional fees	33,621	8,675
Equipment lease	13,264	14,139
Permits and licenses	8,928	8,791
Dues and subscriptions	8,035	13,277
Director fees	2,400	2,320
Bank and trustee fees	18,582	16,612
Refunds	5,764	2,692
Miscellaneous	67,160	75,701
Total expenses from operations	<u>2,080,007</u>	<u>1,878,339</u>
Operating Income (Loss)	2,004,863	1,112,829
Non-operating revenues (expenses):		
Interest earnings	273,205	126,996
Reimbursements for impact fees	0	52,000
Reimbursements for Highway 20	40,480	1,101,937
Sale of equipment	0	7,000
Benefit units	61,000	70,800
Interest paid on long-term debt	(7,477)	(11,192)
Depreciation expense	(507,459)	(502,233)
Amortization expense	(2,321)	(2,321)
Total non-operating revenues (expenses)	<u>(142,572)</u>	<u>842,987</u>
Change in Net Position	1,862,291	1,955,816
Total Net Position, beginning of period	<u>16,779,282</u>	<u>14,823,466</u>
Total Net Position, end of period	<u>\$ 18,641,573</u>	<u>\$ 16,779,282</u>

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

ROGERS COUNTY RURAL WATER DISTRICT NO. 5Statement of Cash Flows
For the Year Ended May 31, 2024

	2023-24	(memo only) 2022-23
Cash Flows from Operating Activities:		
Receipts from customers	\$ 4,081,858	\$ 2,980,353
Payments to employees	(410,366)	(383,961)
Payments to vendors	(1,828,009)	(1,510,395)
Net Cash Provided by Operating Activities	<u>1,843,483</u>	<u>1,085,997</u>
Cash Flows from Capital and Related Financing Activities:		
Sale (purchase) of capital assets	(113,908)	(833,792)
Benefit units	61,000	70,800
Reimbursements for impact fees	0	52,000
Reimbursements for Highway 20 relocation	40,480	1,101,937
Principal paid on long-term debt	(331,317)	(470,791)
Interest paid on long-term debt	(7,477)	(11,192)
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>(351,222)</u>	<u>(91,038)</u>
Cash Flows from Investing Activities:		
Net restricted cash activity	0	(36,058)
Interest earned on investments	<u>273,205</u>	<u>163,054</u>
Net Cash Provided by (used in) Investing Activities	<u>273,205</u>	<u>126,996</u>
Net Increase (Decrease) in Cash	1,765,466	1,121,955
Cash and cash equivalents, beginning of period	<u>6,573,730</u>	<u>5,451,775</u>
Cash and cash equivalents, end of period	<u><u>\$ 8,339,196</u></u>	<u><u>\$ 6,573,730</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income (Loss)	\$ 2,004,863	\$ 1,112,829
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(96,719)	(9,997)
(Increase) decrease in prepaid insurance	(57,191)	77
Increase (decrease) in accounts payable	(6,969)	(16,289)
Increase (decrease) in accruals	(501)	(623)
Net cash provided by operating activities	<u><u>\$ 1,843,483</u></u>	<u><u>\$ 1,085,997</u></u>

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

ROGERS COUNTY RURAL WATER DISTRICT NO. 5
Claremore, Oklahoma
Notes to the Financial Statements
May 31, 2024

Note A – Significant Accounting Policies

Rogers 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 and equivalents

The District’s cash accounts at May 31, 2024 are detailed as follows:

Cash on hand	\$ 100
BancFirst, Claremore, Ok-	
Revenue account	3,917,820
Development account	2,883,119
Payroll account	305,281
Petty Cash account	1,633
Plus: Deposits in transit	8,863
Less: Outstanding checks	<u>(68,352)</u>
Total Cash	<u>\$ 7,048,464</u>
CoBank Debt Service:	
BancFirst-	
Reserve account	<u>\$ 6,552</u>

ROGERS COUNTY RURAL WATER DISTRICT NO. 5

Claremore, Oklahoma

Notes to the Financial Statements

May 31, 2024

Note A – Significant Accounting Policies – cont'd

Investments

The District's investments are detailed as follows:

BancFirst, Claremore, Ok-	
Certificate of deposit, matures 10/4/24	\$ 274,750
Certificate of deposit, matures 11/10/24	220,841
RCB Bank, Claremore, OK-	
Certificate of deposit, matures 6/16/24	265,085
Certificate of deposit, matures 6/16/24	265,085
Certificate of deposit, matures 2/18/25	<u>258,419</u>
Total Investments	<u>\$ 1,284,180</u>

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 May 31, 2024, the District held deposits of approximately \$8,398,585 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.

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.

ROGERS COUNTY RURAL WATER DISTRICT NO. 5

Claremore, Oklahoma

Notes to the Financial Statements

May 31, 2024

Note A – Significant Accounting Policies – cont'd

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 amounts held at May 31, 2024 are as follows:

	Wtd. Avg Maturity	Credit Rating	Market	Cost
Money market/checking	N/A	AAAm	\$ 7,107,853	7,107,853
Trust accounts	N/A	AAAm	6,552	6,552
Certificates of deposit	4.0 Yrs	N/A	1,284,180	1,284,180
Total Deposits			<u>8,398,585</u>	<u>8,398,585</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: 15% in Certificates of Deposit (\$1,284,180), .1% in Trust Accounts (\$6,552) and 85% in Money Market funds (\$7,107,853).

ROGERS COUNTY RURAL WATER DISTRICT NO. 5

Claremore, Oklahoma

Notes to the Financial Statements

May 31, 2024

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.

Memorandum Totals

Prior year "memorandum only" financial statement information is shown for comparative purposes only.

Accounts Receivable

Billings for accounts receivable at May 31, 2024 were \$320,930. No allowance for doubtful accounts was computed because the effect of bad debts on the financial statements is not considered material.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance, including workers compensation, for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents excluding restricted assets.

ROGERS COUNTY RURAL WATER DISTRICT NO. 5

Claremore, Oklahoma

Notes to the Financial Statements

May 31, 2024

Note A – Significant Accounting Policies – cont'd

Capital Assets

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	5 years
Equipment & tools	5 years
Transportation equipment	5 years
Water & sewer system	40 years
Buildings	25 years
Computer equipment	3 years

The capital asset information for the District is shown below:

	<u>5/31/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>5/31/2024</u>
	<u>Amount</u>			<u>Amount</u>
Plant and water sys.	\$ 20,535,365	113,908	-	20,649,273
Land	170,611	-	-	170,611
Vehicles and equip.	779,771	-	-	779,771
Furniture	<u>174,620</u>	<u>-</u>	<u>-</u>	<u>174,620</u>
Total Capital Assets	21,660,367	113,908	-	21,774,275
Less: Accumulated Depreciation	<u>(10,232,087)</u>	<u>(507,459)</u>	<u>-</u>	<u>(10,739,546)</u>
Total	<u>\$ 11,428,280</u>	<u>(393,551)</u>	<u>-</u>	<u>11,034,729</u>

Note B – Long-Term Debt

Long-Term Debt consists of two notes with the Oklahoma Water Resources Board (OWRB) and CoBank.

ROGERS COUNTY RURAL WATER DISTRICT NO. 5
Claremore, Oklahoma
Notes to the Financial Statements
May 31, 2024

Note B – Notes Payable – cont'd

The District has a promissory note in the amount of \$4,700,000 with the Oklahoma Water Resources Board (OWRB), dated 2007, for a period of 20 years. The current interest rate on this note is 3.69%. The water system and future water revenues are used as security for this note.

The District has a promissory note in the amount of \$205,000 with CoBank, ACB, dated March 29, 2016, for a period of 30 years. The current interest rate on this note is 5.00%. The proceeds were used to refinance the existing Rural Development loan, which was paid in full on March 31, 2016. This note with CoBank is federally guaranteed by the USDA for up to 90% of the loan amount. The water system and future water revenues are used as security for this note.

The District has a required reserve account at BancFirst in Claremore, Oklahoma in the amount of \$6,552 for use in retiring the CoBank note.

	May 31,	
	2024	2023
CoBank Promissory Note 2016, issued for \$205,000, dated 3-29-16, at 5.00% interest, due in monthly installments, until paid;	\$ 175,573	179,845
Oklahoma Water Resources Board note payable, issued for \$4,700,000, dated 9-27-07, at 3.69% interest, due in quarterly installments, until paid;	914,075	1,241,120
Less: Current maturities of long-term debt	<u>(332,995)</u>	<u>(331,317)</u>
Total Long-Term Debt	<u>\$ 756,653</u>	<u>1,089,648</u>

The principal loan maturities for the next five year, and after, are as follows:

2024-25	\$ 332,995
2025-26	334,694
2026-27	260,658
2027-28	5,236
2028-29	5,531
2029-34	32,248
2034-39	41,532
2039+	<u>76,754</u>
Total	<u>\$ 1,089,648</u>

ROGERS COUNTY RURAL WATER DISTRICT NO. 5
Claremore, Oklahoma
Notes to the Financial Statements
May 31, 2024

Note C – Subsequent Events

Subsequent Events

Management has evaluated subsequent events through July 22, 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.

ROGERS COUNTY RURAL WATER DISTRICT NO. 5
Schedule of Water Loss, Rates and Customers
-Unaudited Information-
May 31, 2024

<u>Water Loss</u>	<u>2023-24</u>	<u>2022-23</u>
Total gallons purchased and produced	662,952,000	549,848,000
Total gallons sold to District customers	<u>(383,671,000)</u>	<u>(393,030,000)</u>
Total water loss	<u>279,281,000</u>	<u>156,818,000</u>
Percentage of water loss	<u>42.13%</u>	<u>28.52%</u>

Note – These figures do not include water that is being held in towers

Customers

The District had 5,454 customers at the close of the fiscal year.

Water Rates (in effect for the 2023-24 fiscal year):

Monthly Minimum:

5/8" Meter	\$ 28.00
1" Meter	\$ 48.00
1.5" Meter	\$ 87.00
2" Meter	\$ 112.00
3" Meter	\$ 224.00
4" Meter	\$ 448.00

New Tap Fees:

5/8" Meter	\$ 2,000.00
1" Meter	\$ 3,000.00
1.5" Meter	\$ 4,500.00
2" Meter	\$ 5,500.00 plus live tap fee
3" Meter	\$ 7,500.00 plus live tap fee
4" Meter	\$ 9,500.00 plus live tap fee

Usage Rates per 1k/gal"

0 to 999	=	\$ 0.00
1,000 to 5,000	=	\$ 5.00
6,000 to 10,000	=	\$ 6.00
11,000 to 15,000	=	\$ 7.00
16,000 to 20,000	=	\$ 8.00
21,000 +	=	\$ 9.00

A 10% fee will be charged for late payments. Transfer fees for existing meters is \$20.

A complete listing of service fees are located on the District's website: www.rogersrwd5.com