

**Wagoner County Rural Water District No. 5
Coweta, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended December 31, 2023

Audited by

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

BROKEN ARROW, OK

Wagoner County Rural Water District No. 5
Coweta, Oklahoma
Board of Directors
December 31, 2023

BOARD OF DIRECTORS

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Dr. Matthew Walls

Vice-Chair

Todd Borszich

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BOOKKEEPER**

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www.ruralwater5.com

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wagoner County Rural Water District No. 5
Coweta, 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 Wagoner County Rural Water District No. 5, Coweta, 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 31 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.

The accompanying financial statements and other supplementary information and schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements-regulatory basis and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 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 16, 2024

RURAL WATER DISTRICT NO.5, WAGONER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

Our discussion and analysis of the Rural Water District No. 5, Wagoner County'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 17.

FINANCIAL HIGHLIGHTS:

- The District's total operating revenues exceeded total operating expenses by \$1,015,001, which was a decrease over the prior year amount of \$237,332.
- Total net position increased by \$4,087,153 in the current fiscal year.
- A rate increase of 3% was approved in 2023 to help absorb continued increases in costs.
- The District started the expansion of the water plant project in 2023. The District was awarded an ARPA grant and some loan forgiveness from OWRB to assist in this project.

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 was higher in 2023 increasing from \$14,720,469 to \$18,807,622. 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	\$ 7,787,751	6,826,915	960,836
Capital assets, net	<u>20,870,712</u>	<u>18,329,654</u>	<u>2,541,058</u>
Total Assets	<u><u>\$ 28,658,463</u></u>	<u><u>25,156,569</u></u>	<u><u>3,501,894</u></u>
Current liabilities	\$ 783,385	781,246	(2,139)
Long-term liabilities	<u>9,067,456</u>	<u>9,654,854</u>	<u>587,398</u>
Total Liabilities	<u><u>\$ 9,850,841</u></u>	<u><u>10,436,100</u></u>	<u><u>585,259</u></u>
Invest. In capital assets, net of related debt	\$ 11,214,331	8,095,231	3,119,100
Restricted	356,850	320,773	36,077
Unrestricted	<u>7,236,441</u>	<u>6,304,465</u>	<u>931,976</u>
Total Net Position	<u><u>\$ 18,807,622</u></u>	<u><u>14,720,469</u></u>	<u><u>4,087,153</u></u>

Net Position of the District increased by 27.7 percent (\$18,807,622 compared to \$14,720,429). This large increase was due mainly to the donated water lines which increased capital assets and grant and loan proceeds being received in 2023.

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 \$6,304,465 to \$7,236,441.

Table 2 – Changes in Net Position:

	<u>2023</u>	<u>2022</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 4,503,358	4,393,529	109,829
Loan/grant proceeds	2,796,271	-	2,796,271
Memberships and donations	389,507	255,492	134,015
Interest	173,761	30,582	143,179
Total Revenues	<u>\$ 7,862,897</u>	<u>4,679,603</u>	<u>3,183,294</u>
Expenses:			
Salaries, taxes and benefits	\$ 1,065,837	1,063,491	(2,346)
Maintenance and repairs	1,276,067	983,115	(292,952)
Other expenses	296,231	336,028	39,797
Depreciation	850,222	758,562	(91,660)
Interest on debt	287,387	249,447	(37,940)
Total Expenses	<u>\$ 3,775,744</u>	<u>3,390,643</u>	<u>(385,101)</u>
Changes in Net Position	4,087,153	1,288,960	2,798,193
Net Position, Beginning	<u>14,720,469</u>	<u>13,431,509</u>	<u>1,288,960</u>
Net Position, Ending	<u>\$ 18,807,622</u>	<u>14,720,469</u>	<u>4,087,153</u>

The District's total revenues increased by 68.0 percent (\$3,183,294) due to loan and grant proceeds and the donated water lines received. The total cost of all services increased by 11.4 percent (\$385,101).

Capital Assets

At December 31, 2023 the District had \$20,870,712 invested in capital assets, net of depreciation, including land, the water system, vehicles and equipment. Additional amounts were included in 2023 for water plant expansions and some water line improvements. The District also received \$1,141,295 in donated lines from new neighborhood developments.

Long-Term Debt

The District has six outstanding notes at December 31, 2023, and have approval on a new \$14,215,000 loan from the OWRB for the water plant expansion. Please see the notes section of the audit report for the individual information and outstanding balances for these notes. In total, the outstanding principal balance at year-end went from \$10,234,423 to \$9,656,381.

Economic Factors and Next Year's Budget and Rates

After an extensive water rate analysis by the Oklahoma Rural Water Association in 2019, the District approved to increase the water rates according to what was proposed by the study, effective on the December 31, 2019 billing, and a 3% rate increase to be implemented every 12 months thereafter, with the 3% subject to change with board approval after future rate studies.

For the upcoming fiscal year ending December 31, 2024 the District's budget is fairly consistent with the prior fiscal year. The normal cost of operation continues to increase for all areas of the economy, and rural water is not exempt from these increases.

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 835, Coweta, OK 74429 or call (918)486-5458.



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
Wagoner County Rural Water District No. 5
Coweta, 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 Wagoner County Rural Water District No. 5, Coweta, 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 16, 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*.

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 16, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Wagoner County Rural Water District No. 5, Coweta, Oklahoma's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

February 16, 2024

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

There were no prior year significant deficiencies.

WAGONER COUNTY RURAL WATER DISTRICT NO. 5
Schedule of Audit Results
November 31, 2023

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit reported no material weaknesses and did not report on 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.
4. 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 major programs.
5. An unmodified opinion report was issued on the compliance of major programs.
6. The audit disclosed no audit findings which are required to be reported under the Uniform Guidance.
7. The federal program determined to be major was the Emergency Management Performance Grant (97.042), which was not clustered in determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$750,000.
9. The auditee was determined not to be a low-risk auditee.

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

NONE

Section 3 – Findings and questioned costs for federal awards:

NONE

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Statement of Net Position

December 31, 2023

	<u>2023</u>	<u>-Memorandum- -Only- 2022</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 3,418,071	\$ 2,644,444
Investments	3,118,518	3,029,290
Accounts receivable	348,633	309,226
Inventory on hand	362,125	339,247
Prepaid assets	38,038	31,957
Total current assets	<u>7,285,385</u>	<u>6,354,164</u>
Restricted Assets:		
Reserve accounts	241,194	208,601
Project trust funds	115,656	112,172
Total restricted assets	<u>356,850</u>	<u>320,773</u>
Capital Assets:		
Land	155,699	155,699
Water distribution system	18,609,244	17,442,819
Water plant	11,980,849	9,777,656
Vehicles and equipment	881,459	866,258
Buildings and furnishings	572,468	572,468
Total capital assets	<u>32,199,719</u>	<u>28,814,900</u>
Less: accumulated depreciation	<u>(11,329,007)</u>	<u>(10,485,246)</u>
Total capital assets (net)	<u>20,870,712</u>	<u>18,329,654</u>
Other Assets:		
Loan costs, net	145,516	151,978
TOTAL ASSETS	<u>\$ 28,658,463</u>	<u>\$ 25,156,569</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable	\$ 171,622	\$ 176,248
Accrued interest	22,838	25,429
Current portion of long-term debt	588,925	579,569
Total current liabilities	<u>783,385</u>	<u>781,246</u>
Noncurrent Liabilities:		
Long-term debt, less current maturities	9,067,456	9,654,854
Total Liabilities	<u>9,850,841</u>	<u>10,436,100</u>
NET POSITION:		
Net investment in capital assets	11,214,331	8,095,231
Restricted	356,850	320,773
Unrestricted	7,236,441	6,304,465
Total Net Position	<u>18,807,622</u>	<u>14,720,469</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 28,658,463</u>	<u>\$ 25,156,569</u>

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

WAGONER 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	\$ 4,342,731	\$ 4,233,380
Charges and late penalties	92,824	90,396
Service income	42,260	56,864
Other income	25,543	12,889
Total revenue from operations	4,503,358	4,393,529
Operating Expenses:		
Salaries and benefits	729,307	724,520
Payroll taxes	61,960	61,550
Repairs and maintenance	152,126	102,069
Chemicals	666,989	502,718
Power plant costs	126,955	120,623
Testing fees	23,097	21,469
Employee insurance	274,570	277,421
Vehicle expense	43,175	43,278
Insurance	54,318	51,812
Supplies and materials	306,900	236,236
Office and postage	63,964	76,711
Depreciation	843,760	752,100
Amortization	6,462	6,462
Professional fees	40,552	78,386
Utilities and phone	31,382	30,640
Dues and fees	35,510	30,461
Miscellaneous	27,330	24,740
Total expenses from operations	3,488,357	3,141,196
Operating Income (Loss)	1,015,001	1,252,333
Non-Operating Revenues (Expenses):		
Interest income	173,761	30,582
Grant proceeds	827,488	0
Loan proceeds	827,488	0
Capital contributions-		
Memberships/water loss reserves	389,507	255,492
Donated capital assets (lines)	1,141,295	0
Interest paid on long-term debt	(287,387)	(249,447)
Total Non-Operating Revenues (Expenses)	3,072,152	36,627
Change in Net Position	4,087,153	1,288,960
Total Net Position, beginning of period	14,720,469	13,431,509
Total Net Position, end of period	\$ 18,807,622	\$ 14,720,469

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

WAGONER 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	\$ 4,506,019	\$ 4,394,194
Payments to employees	(729,307)	(724,520)
Payments to vendors	<u>(1,987,072)</u>	<u>(1,634,635)</u>
Net Cash Provided by Operating Activities	<u>1,789,640</u>	<u>2,035,039</u>
Cash Flows from Capital and Related Financing Activities:		
Sale (purchase) of capital assets	(3,384,819)	(650,166)
Donated lines	1,141,295	0
Capital contributions - Memberships	345,750	242,500
Capital contributions - Water loss reserves	43,758	12,992
Grant proceeds	1,654,976	0
Principal paid on long-term debt	(578,042)	(569,621)
Interest paid on long-term debt	<u>(287,387)</u>	<u>(249,538)</u>
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>(1,064,469)</u>	<u>(1,213,833)</u>
Cash Flows from Investing Activities:		
Liquidation (addition) to investments and reserve accounts	(125,305)	4,463
Interest earned on investments	<u>173,761</u>	<u>30,582</u>
Net Cash Provided by (used in) Investing Activities	<u>48,456</u>	<u>35,045</u>
Net Increase (Decrease) in Cash	773,627	856,251
Cash and cash equivalents, beginning of period	<u>2,644,444</u>	<u>1,788,193</u>
Cash and cash equivalents, end of period	<u>\$ 3,418,071</u>	<u>\$ 2,644,444</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income	\$ 1,015,001	\$ 1,252,333
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	843,760	752,100
Amortization Expense	6,462	6,462
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(39,407)	(2,562)
(Increase) decrease in prepaid insurance	(6,081)	106
(Increase) decrease in inventory	(22,878)	(58,865)
Increase (decrease) in accounts payable	(4,626)	87,992
Increase (decrease) in accruals	<u>(2,591)</u>	<u>(2,527)</u>
Net cash provided by operating activities	<u>\$ 1,789,640</u>	<u>\$ 2,035,039</u>

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

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Coweta, Oklahoma

Notes to the Financial Statements

December 31, 2023

Note A – Significant Accounting Policies

Organization

Wagoner 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 Wagoner 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 4,700 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.

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 \$6,893,439 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.

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Coweta, 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	\$ 3,774,921	3,774,921
Certificates of deposit	1.0 Yr	N/A	<u>3,118,518</u>	<u>3,118,518</u>
Total Deposits			<u>\$ 6,893,439</u>	<u>6,893,439</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: 45% in Certificates of Deposit (\$3,118,518) and 55% in Money Market/Checking account funds (\$3,774,921).

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Coweta, 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.

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.

Accounts Receivable

Billings for accounts receivable at December 31, 2023 were \$361,436. An allowance for doubtful accounts was computed at \$12,803.

Memorandum Totals

The “Memorandum Only” captions above the columns mean that amounts are presented for comparative and information purposes only.

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.

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Coweta, Oklahoma

Notes to the Financial Statements

December 31, 2023

Note A – Significant Accounting Policies – cont'd

Subsequent Events

Management has evaluated subsequent events through February 16, 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.

Capital Assets

Any items purchased or constructed in excess of \$1,000 and a useful life of over two years is considered a capital asset by the District.

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	5-10 years
Equipment & tools	5-10 years
Transportation equipment	5 years
Water system	40 years
Buildings	30 years
Radio read meters	20 years
Computer equipment	5 years

The capital asset information for the District is shown below:

	12/31/2022			12/31/2023
	Amount	Additions	Deletions	Amount
Land	\$ 155,699	-	-	155,699
Water dist. system	17,442,819	1,166,425	-	18,609,244
Water plant	9,777,656	2,203,193	-	11,980,849
Buildings and furn.	572,468	-	-	572,468
Vehicles	787,032	1,001	-	788,033
Office equipment	79,226	4,200	-	83,426
Total Capital Assets	28,814,900	3,374,819	-	32,189,719
Less: Accumulated Depreciation	(10,485,246)	(843,761)	-	(11,329,007)
Total	\$ 18,329,654	2,531,058	-	20,860,712

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

Note A – Significant Accounting Policies – cont'd

Equity Classification

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

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

Note B – Notes Payable

Long-Term Debt consists of six notes:

1. The District has a 2007 promissory note in the amount of \$4,735,000 with the Oklahoma Water Resources Board (OWRB) for a period of 20 years. The District makes monthly deposits into a trust account at Bank of Oklahoma. The trust account then makes the variable semi-annual payments of principal and interest to the OWRB. The fixed interest rate on this note was 3.55%, but was reduced to 0% in 2014. The water plant and future water revenues are used as security for this note.
2. The District has a 2009 promissory note in the amount of \$1,405,454 with the Oklahoma Water Resources Board (OWRB) for a period of 20 years. The District makes monthly deposits into a trust account at Bank of Oklahoma. The trust account then makes the variable semi-annual payments of principal and interest to the OWRB. The fixed interest rate on this note is 3.66%. The water system and future water revenues are used as security for this note.

WAGONER COUNTY RURAL WATER DISTRICT NO. 5

Coweta, Oklahoma

Notes to the Financial Statements

December 31, 2023

Note B – Notes Payable – cont'd

3. The District has a 2015 promissory note in the amount of \$1,400,000 with BB&T for a period of ten years. Semi-annual principal and interest payments for graduating amounts are due each March and September. The fixed interest rate on this note is 2.83%. The water system and future water revenues are used as security for this note.
4. The District has a 2015 promissory note in the amount of \$825,000 with Co-Bank for a period of 30 years. Monthly principal and interest payments of \$4,561 are paid. The fixed interest rate on this note is 5.18%. The water system and future water revenues are used as security for this note.
5. The District has a 2016 promissory note in the estimated amount of \$4,270,000 with the Oklahoma Water Resources Board (OWRB) for a period of 30 years. The District makes monthly deposits into a trust account at Bank of Oklahoma. The trust account will then make the variable semi-annual payments of principal and interest to the OWRB. The fixed interest rate on this note is 2.82%. The water system and future water revenues are used as security for this note.
6. The District has a 2017 promissory note in the estimated amount of \$3,245,000 with the Oklahoma Water Resources Board (OWRB) for a period of 30 years. The District will make monthly deposits into a trust account at Bank of Oklahoma. The trust account will then make the variable semi-annual payments of principal and interest to the OWRB. The fixed interest rate on this note is 3.19%. The water system and future water revenues are used as security for this note.

Restricted Accounts

The District has trustee accounts held with the Bank of Oklahoma for the OWRB notes and the 2015 Co-Bank and BB&T notes. These accounts are used to facilitate payments of these notes and hold funds in account to cover costs. The balances in these accounts at December 31, 2023 were \$33,801 (2008 note), \$83,960 (2015 note), and \$44,997 (2016 note). Also, a CD with BancFirst is held as a reserve for the 2015 Co-Bank note in the amount of \$29,551 and \$36,858 is held at Bank of Oklahoma for the BB&T note. The BancFirst Leak Protection Account, with a balance of \$127,683 is also defined as a restricted account. These restricted balances total \$356,850.

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

Note B – Notes Payable – cont'd

	December 31,	
	2023	2022
Oklahoma Water Resources Board note payable, issued for \$4,735,000, at 0% interest, due in semi-annual installments, until paid;	\$ 942,294	1,208,147
Oklahoma Water Resources Board note payable, issued for \$1,405,454, at 3.66% interest, due in semi-annual installments, until paid;	494,258	573,881
BB&T note payable, 10 year note, issued for \$1,400,000, at 2.83% interest, due in semi-annual installments, until paid;	410,000	607,000
Co-Bank note payable, issued for \$825,000 at 5.18% interest, payable in monthly payments of \$4,561, until paid;	711,009	726,574
Oklahoma Water Resources Board note payable, issued for \$4,270,000, at 2.82% interest, due in semi-annual installments, until paid;	4,148,841	4,158,841
Oklahoma Water Resources Board note payable, issued for \$3,245,000, at 3.19% interest, due in semi-annual installments, until paid;	2,949,979	2,959,980
Long-Term Debt Outstanding	9,656,381	10,234,423
Less: Current maturities of long-term debt	(588,925)	(579,569)
Total Long-Term Debt, Net	\$ 9,067,456	9,654,854

The scheduled maturities for the next five years, and in total thereafter:

Year	Total	ORWB (4)	BB&T	Co-Bank
2024	\$ 588,925	368,578	202,000	18,347
2025	599,484	372,164	208,000	19,320
2026	525,308	504,963	-	20,345
2027	448,078	426,654	-	21,424
2028	369,534	346,973	-	22,561
2029-33	1,599,280	1,467,203	-	132,077
2031-38	1,799,659	1,628,631	-	171,028
2039-43	2,111,879	1,890,413	-	221,466
2044+	1,614,234	1,529,793	-	84,441
Total	\$ 9,656,381	8,535,372	410,000	711,009

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

Note B – Notes Payable – cont’d

In June 2023, the District was awarded a \$14,215,000 loan from the Series 2023 Drinking Water through the Oklahoma Water Resources Board. This note has an interest rate of 3.38%, with semi-annual payments of various amounts, beginning September 15, 2023 and continuing thereafter until March 15, 2055. None of these loan proceeds were received as of December 31, 2023, thus no payments were made on this note.

The District is required to maintain a schedule of rates or charges for the services of the system which together with other revenues shall (A) provide funds at least 125% of the maximum annual debt service requirements for OWRB loans and any other loans of parity. This schedule of rates and charges should also always generate (B) sufficient monies to pay operation and maintenance expenses of the system without consideration of any other revenue source. Operating results for the year ended December 31, 2023 are summarized below:

(A) Income from operations	\$	1,015,001
Add: Membership fees		389,507
Interest income		173,761
Depreciation & amortization		850,222
Other		-
Income available for debt service	<u>\$</u>	<u>2,428,491</u>
Debt Service		
Interest expense	\$	278,419
Principal payments		588,925
Total debt service	<u>\$</u>	<u>867,344</u>
Debt service coverage ratio		<u>280%</u>
(B) Total Revenue from the water system	\$	4,503,358
Operation and maintenance expenses		<u>(2,638,135)</u>
Net Operating Income	<u>\$</u>	<u>1,865,223</u>

As of December 31, 2023 the District had met the requirements of the rate covenant as described above.

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

Note C – Water Loss Reserve

The District has established a water loss protection plan for their users, where tap holders pay an additional \$1.00 a month on their water bill. This reserve can be used on a high water bill from a leak during that year, after submitting a leak repair bill. The reserve account will pay everything over their average monthly water bill. This reserve amount is considered a restricted asset.

Note D – Grants and Schedule of Expenditures of Federal Awards

In 2022, the District was awarded a \$14,215,000 loan from the Series 2023 Drinking Water through the Oklahoma Water Resources Board to finance the water plant upgrades and renovations. As of December 31, 2023, no loan proceeds have been received or spent.

In 2023, \$827,488 of proceeds were expended and received as part of the \$913,072 of loan forgiveness funds and administered through the Safe Drinking Water State Revolving Fund. These funds are not considered federal funds.

In 2023, \$827,488 of proceeds were received and \$439,030 of funds were expended through the Oklahoma Water Resources Board as part of an awarded \$2,000,000 ARPA Grant (CFDA 97.042).

The District expended \$388,458 through an awarded \$3,426,430 federal grant through the Department of Health & Human Services Indian Health Services Grant (CFDA 93.928). No proceeds were received in 2023 from this grant.

A Schedule of Expenditures of Federal Awards is included with this audit report.

Note E – Litigation

There are no known threatened or unasserted claims against the District as of December 31, 2023.

Note F – 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.

WAGONER COUNTY RURAL WATER DISTRICT NO. 5
Schedule of Budget to Actual
For The Year Ended December 31, 2023

	2023 BUDGET	2023 ACTUAL	Variance Favorable (Unfavorable)
INCOME:			
Water sales	\$ 4,125,000	\$ 4,435,555	\$ 310,555
Benefit unit sales	280,000	345,750	65,750
Interest income	15,000	176,761	161,761
Road crossings	15,000	19,000	4,000
Other income	34,000	48,803	14,803
Total revenue from operations	<u>4,469,000</u>	<u>5,025,869</u>	<u>556,869</u>
EXPENSES:			
Salaries and benefits	715,000	729,307	(14,307)
Payroll taxes	61,500	61,960	(460)
Repairs and maintenance	250,000	152,126	97,874
Chemicals	550,000	666,989	(116,989)
Power plant costs	110,000	126,955	(16,955)
Testing fees	25,000	23,097	1,903
Employee insurance	286,000	274,570	11,430
Vehicle expense	45,000	43,175	1,825
Insurance	60,000	54,318	5,682
Supplies and materials	350,000	306,900	43,100
Office expenses	77,700	63,964	13,736
Depreciation	825,000	843,760	(18,760)
Amortization	12,000	6,462	5,538
Professional fees	120,000	40,552	79,448
Utilities and phone	43,980	31,382	12,598
Dues and fees	10,000	35,510	(25,510)
Uniforms	12,000	10,689	1,311
Miscellaneous	17,800	16,641	1,159
Total expenses from operations	<u>3,570,980</u>	<u>3,488,357</u>	<u>82,623</u>
Sub-Total Income (Loss)	898,020	1,537,512	639,492
Less: Long-term note payments	<u>(871,000)</u>	<u>(868,021)</u>	<u>2,979</u>
Funds Remaining	<u>\$ 27,020</u>	<u>\$ 669,491</u>	<u>\$ 642,471</u>

WAGONER COUNTY RURAL DISTRICT NO. 5
Schedule of Water Rates and Customers
-Unaudited Information-
December 31, 2023

Water Rates:

0 gallons	=	\$28.00 minimum
0 – 1,000 gallons	=	\$8.20 per 1,000 gallons
1,000 – 2,000 gallons	=	\$8.47 per 1,000 gallons
2,001 – 3,000 gallons	=	\$8.74 per 1,000 gallons
3,001 – 4,000 gallons	=	\$9.02 per 1,000 gallons
4,001 – 5,000 gallons	=	\$9.22 per 1,000 gallons
Over 5,000 gallons	=	\$9.56 per 1,000 gallons

Plus \$1.00 per month for leak protection plan (if enrolled)

Water Loss:

	<u>2023</u>	<u>2022</u>
Total gallons pumped and purchased	403,742,790	390,619,110
Total gallons sold to customers	<u>(326,976,785)</u>	<u>(331,915,547)</u>
Total water loss	<u>76,766,005</u>	<u>58,803,563</u>
Percentage of water loss	<u>19.01%</u>	<u>15.05%</u>

Source – Sold vs Pumpage/Purchased Report

Customers:

The District had 4,715 customers at the close of the fiscal year.

Current benefit unit fee is \$1,500.

Current road crossing fee is \$750.

WAGONER COUNTY RURAL WATER DISTRICT NO. 5
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Balance at 1/1/23</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Balance at 12/31/23</u>
<u>Department of Homeland Security:</u>						
Oklahoma Water Resources Board- American Rescue Plan Act: *Emergency Management Performance Grant	97.042	\$ 2,000,000	0	827,488	439,030	1,560,970
<u>Department of Health & Human Services:</u>						
Muscogee (Creek) Nation- Indian Health Services Grant	93.928	<u>3,426,430</u>	<u>0</u>	<u>0</u>	<u>388,458</u>	<u>3,037,972</u>
		<u>\$ 5,426,430</u>	<u>0</u>	<u>827,488</u>	<u>827,488</u>	<u>4,598,942</u>

* - major program