

**Kingfisher County Rural Water District No. 3
Kingfisher, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended September 30, 2024

Audited by

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

BROKEN ARROW, OK

Kingfisher County Rural Water District No. 3
Kingfisher, Oklahoma
Board of Directors
September 30, 2024

BOARD OF DIRECTORS

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Bill Reitz

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DISTRICT MANAGER

Randy Pritchett

BUSINESS MANAGER

Annette Pritchett

Kingfisher County Rural Water District No. 3
Kingfisher, Oklahoma
September 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kingfisher County Rural Water District No. 3
Kingfisher, Oklahoma

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Kingfisher County Rural Water District No. 3 (the District), Kingfisher, Oklahoma, as of and for the year ended September 30, 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 September 30, 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 23 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 December 9, 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

December 9, 2024

RURAL WATER DISTRICT NO. 3, KINGFISHER COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024

Our discussion and analysis of the Rural Water District No. 3, Kingfisher County's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 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 \$24,134. Overall, the District's total net position increased by \$42,736 in the current fiscal year. The cash and cash equivalents increased by \$39,183 in 2024.
- The District earned \$1,146 in interest earnings during 2024, which is \$1,483 less than the prior year.
- The District received \$17,456 in grant proceeds from NODA to help with the costs of equipment (SCADA). The total cost of the equipment was approximately \$31,635.
- The District was awarded a RIG Grant from OWRA to help fund a waterline project. The project will begin in the 2025 fiscal year.
- A \$750,000 waterline improvements project that was completed in the 2023 fiscal year with ARPA funds and was recorded as a contribution to capital in the 2024 fiscal year. This increased the District's overall net position and capital asset accounts in the financial statements.

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 on 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 2024, increasing from \$282,104 to \$1,074,840. 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>2024</u>	<u>2023</u>	<u>Variances</u>
Current and other assets	\$ 106,445	65,249	41,196
Capital assets, net	<u>968,395</u>	<u>216,855</u>	<u>751,540</u>
Total Assets	<u>\$ 1,074,840</u>	<u>282,104</u>	<u>792,736</u>
Liabilities	<u>\$ 0</u>	<u>0</u>	<u>0</u>
Invest. in capital assets, net of related debt	\$ 968,395	216,855	751,540
Restricted	10	10	0
Unrestricted	<u>106,435</u>	<u>65,239</u>	<u>41,196</u>
Total Net Position	<u>\$ 1,074,840</u>	<u>282,104</u>	<u>792,736</u>

Net Position of the District increased by 281 percent (\$1,074,840 compared to \$282,104). This was primarily a result of recording the prior year \$750,000 ARPA waterline project as an increase to the District's capital asset account. 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 \$65,239 to \$106,435.

Table 2 – Changes in Net Position:

	<u>2024</u>	<u>2023</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 70,516	52,484	18,032
Other revenue	34,617	22,361	12,256
Grant proceeds (NODA)	17,456	-	17,456
Interest	<u>1,146</u>	<u>2,629</u>	<u>(1,483)</u>
Total Revenues	<u>123,735</u>	<u>77,474</u>	<u>46,261</u>
Expenses:			
Contract labor	22,969	23,618	649
Maintenance and supplies	9,732	14,399	4,667
Other expenses	18,202	27,321	9,119
Depreciation & amortization	<u>30,096</u>	<u>3,441</u>	<u>(26,655)</u>
Total Expenses	<u>80,999</u>	<u>68,779</u>	<u>(12,220)</u>
Changes in Net Position	42,736	8,695	34,041
Net Position, Beginning	<u>282,104</u>	<u>273,409</u>	<u>8,695</u>
Prior period adjustment	<u>750,000</u>	<u>0</u>	<u>750,000</u>
Net Position, Ending	<u>\$ 1,074,840</u>	<u>282,104</u>	<u>792,736</u>

The District's total revenues increased by 59.71 percent (\$46,261). The total cost of all services increased by 17.77 percent (\$12,220).

Capital Assets

At September 30, 2024, the District had \$968,405 invested in capital assets, net of depreciation, including the water system, water rights and easements. Additional capital assets of \$31,635 were added during the 2024 fiscal year, which included a SCADA system, and the 2023 ARPA Grant project was added.

Long-Term Debt

The District had no outstanding long-term debt.

Economic Factors and Next Year's Budget and Rates

For the upcoming fiscal year ending September 30, 2025, the District's projected budget is fairly consistent with the 2024 fiscal year.

For the fiscal year 2024-25, the District does not foresee any water rate increases. However, the District may have to increase rates to users in future years to meet the demands of the struggling economy. If demand is increased on existing lines and equipment, or additional memberships are substantially increased, it may be necessary for the District to incur some long-term debt to meet these demands.

The District has been awarded a RIG Grant for a waterline improvement and river bore project. The District awarded the project to Lonehickory Cattle, LLC for \$106,000.

Contacting the District

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 12431 E 790 RD, Kingfisher, OK 73750, or call (405) 375-5858.



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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
Kingfisher County Rural Water District No. 3
Kingfisher, 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 Kingfisher County Rural Water District No. 3, Kingfisher, Oklahoma (the District), as of and for the year ended September 30, 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 December 9, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of audit results as item 2024-1, we identified a significant deficiency in the internal controls that was considered to be a material weakness.

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 that is required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of audit results. The District's responses were not subjected to the auditing procedures applied in the audit on the financial statements and accordingly, we express no opinion on it.

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 District'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

December 9, 2024

Kingfisher County Rural Water District No. 3
Kingfisher, Oklahoma

Disposition of Prior Year's Significant Deficiencies
September 30, 2024

There were no prior year significant deficiencies.

Kingfisher County Rural Water District No. 3
Kingfisher, Oklahoma
Schedule of Audit Results
September 30, 2024

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit reported one significant deficiency, item 2024-1, in the internal controls which was considered a material weakness.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

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

2024-1 Internal Control – Segregation of Duties

Criteria – The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the District’s assets and ensure accurate financial reporting.

Condition – Presently the same individual performs all accounting functions: reconciles utility service-related payments, is responsible for service billing and adjustment, records bank deposits, writes checks, reconciles the monthly bank statements and prepares monthly financial reports.

Cause – The District’s limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect – Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the accounting functions, including misappropriation of assets, could occur and not be detected within a timely basis.

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

Management Response – Management agrees with this finding and will provide adequate staffing once annual collections increase enough to justify the extra expense.

KINGFISHER COUNTY RURAL WATER DISTRICT NO. 3
Statement of Net Position
September 30, 2024

	2024	-Memorandum- -Only- 2023
<u>ASSETS</u>		
Current assets:		
Cash	\$ 73,804	\$ 35,511
Investments	28,878	27,988
Accounts receivable	1,500	385
Prepaid expenses	2,253	1,355
Total current assets	<u>106,435</u>	<u>65,239</u>
Noncurrent assets:		
Customer deposits	10	10
Capital Assets:		
Water system	1,112,629	330,994
Water well and rights	14,396	14,396
Easements	86,750	86,750
Total capital assets	<u>1,213,775</u>	<u>432,140</u>
Less: accumulated depreciation	<u>(245,380)</u>	<u>(215,285)</u>
Total capital assets (net)	<u>968,395</u>	<u>216,855</u>
Total noncurrent assets	<u>968,405</u>	<u>216,865</u>
 TOTAL ASSETS	 <u>\$ 1,074,840</u>	 <u>\$ 282,104</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	<u>\$ 0</u>	<u>\$ 0</u>
 <u>NET POSITION</u>		
Net investment in capital assets	968,395	216,855
Restricted for debt service	10	10
Unrestricted assets	<u>106,435</u>	<u>65,239</u>
Total Net Position	<u>1,074,840</u>	<u>282,104</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,074,840</u>	<u>\$ 282,104</u>

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

KINGFISHER COUNTY RURAL WATER DISTRICT NO. 3
Statement of Revenue, Expenses and Changes in Net Position
For The Year Ended September 30, 2024

	2024	-Memorandum- -Only- 2023
Operating Revenues:		
Water sales	\$ 70,516	\$ 52,484
Other sales	33,864	22,311
Miscellaneous	753	50
Total revenues from operations	<u>105,133</u>	<u>74,845</u>
Operating Expenses:		
Contract labor	22,969	23,618
Plant maintenance and supplies	9,732	14,399
Repairs and maintenance	1,190	2,200
Water testing	2,799	2,984
Equipment rental	71	1,479
Insurance and bonds	2,698	2,596
Automobile and Travel	391	375
Professional fees	3,350	4,226
Office	75	700
Utilities	6,066	6,781
Dues and fees	691	597
Bank charges	57	159
Postage	357	564
Printing and reproduction	17	768
Miscellaneous	440	3,892
Depreciation	30,096	3,441
Total expenses from operations	<u>80,999</u>	<u>68,779</u>
Operating Income (Loss)	24,134	6,066
Non-Operating Revenues (Expenses):		
Interest income	1,146	2,629
NODA Grant - SCADA	17,456	0
Total non-operating revenues (expenses)	<u>18,602</u>	<u>2,629</u>
Change in Net Position	42,736	8,695
Total Net Position, beginning of period	<u>282,104</u>	<u>273,409</u>
Prior year adjustment	<u>750,000</u>	<u>0</u>
Total Net Position, end of period	<u><u>\$ 1,074,840</u></u>	<u><u>\$ 282,104</u></u>

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

KINGFISHER COUNTY RURAL WATER DISTRICT NO. 3
Statement of Cash Flows
For Year Ended September 30, 2024

	<u>2024</u>	<u>-Memorandum- -Only- 2023</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 104,018	\$ 74,845
Payments to vendors	(51,801)	(65,338)
Net Cash Provided by Operating Activities	<u>52,217</u>	<u>9,507</u>
Cash Flows from Capital and Related Financing Activities:		
Grant proceeds	17,456	0
Prior period adjustment to capital assets	750,000	0
Capital assets (purchased) sold	(781,636)	(60,000)
Net Cash Provided by (used in) Capital and Related Financing activities	<u>(14,180)</u>	<u>(60,000)</u>
Cash Flows from Investing Activities:		
Interest revenue	1,146	2,629
Net cash provided by (used in) investing activities	<u>1,146</u>	<u>2,629</u>
Net Increase (Decrease) in Cash and Equivalents	39,183	(47,864)
Cash and cash equivalents, beginning of period	<u>63,499</u>	<u>111,363</u>
Cash and cash equivalents, end of period	<u>\$ 102,682</u>	<u>\$ 63,499</u>
 Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income (loss)	\$ 24,134	\$ 6,066
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization expenses	30,096	3,441
(Increase) decrease in accounts receivable	(1,115)	0
(Increase) decrease in prepaid expenses	(898)	0
Net Cash Provided by Operating Activities	<u>\$ 52,217</u>	<u>\$ 9,507</u>

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

KINGFISHER COUNTY RURAL WATER DISTRICT NO. 3

Kingfisher, Oklahoma

Notes to the Financial Statements

September 30, 2024

Note A – Significant Accounting Policies

Nature of Organization

The Kingfisher County Rural Water District No. 3 (the District) was created under the provisions of Title 82 of Oklahoma Statutes, Sections 1324.1 – 1324.26 and the Laws of the State of Oklahoma. The purpose of this District is to provide water services to users. 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 145 members. The Board of Directors consists of six members, listed on page 1. All Board members serve one to three year terms.

Reporting Entity

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.

Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives. Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. 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.

KINGFISHER COUNTY RURAL WATER DISTRICT NO. 3

Kingfisher, Oklahoma

Notes to the Financial Statements

September 30, 2024

Note A – Significant Accounting Policies – cont'd

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 September 30, 2024, the District held deposits of approximately \$106,421 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.

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).

KINGFISHER COUNTY RURAL WATER DISTRICT NO. 3

Kingfisher, Oklahoma

Notes to the Financial Statements

September 30, 2024

Note A – Significant Accounting Policies – cont'd

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer.

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.

The cash and investments held at September 30, 2024 are as follows:

	September 30,	
	2024	2023
BancFirst, Kingfisher, OK		
O&M Account	77,544	39,251
CD	28,878	27,988
Plus: Outstanding deposits	584	-
Less: Outstanding checks	(4,324)	(3,740)
Total cash and investments	<u>\$ 102,682</u>	<u>63,499</u>

It appears that all funds were adequately insured by the \$250,000 of FDIC coverage as of September 30, 2024.

Accounts Receivable

Billings for accounts receivable at September 30, 2024 were \$1,500. No allowance for doubtful accounts was computed because the effect of bad debts on the financial statements is not considered material.

Memorandum Totals

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

KINGFISHER COUNTY RURAL WATER DISTRICT NO. 3

Kingfisher, Oklahoma

Notes to the Financial Statements

September 30, 2024

Note A – Significant Accounting Policies – cont'd

Capital Assets

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

Land	N/A
Office furniture & fixtures	5-10 years
Equipment & tools	5-10 years
Transportation equipment	5 years
Water system	40 years
Buildings	30 years
Computer equipment	5 years

The capital asset information for the District is shown below:

	9/30/2023			9/30/2024
	Amount	Additions	Deletions	Amount
Water dist. system	\$ 1,080,994	31,635	-	1,112,629
Easements	86,750	-	-	86,750
Water well & rights	14,396	-	-	14,396
Total Capital Assets	1,182,140	31,635	-	1,213,775
Less: Accumulated Depreciation	(215,284)	(30,096)	-	(245,380)
Total	<u>\$ 966,856</u>	<u>1,539</u>	<u>-</u>	<u>968,395</u>

The above schedule shows the \$750m000 of capital assets as part of the water distribution system as of 9/30/23. As explained in Note D, these items were not shown on the 2022-23 financial statements.

KINGFISHER COUNTY RURAL WATER DISTRICT NO. 3

Kingfisher, Oklahoma

Notes to the Financial Statements

September 30, 2024

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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Note B – Long-Term Debt

The District had not outstanding debt at September 30, 2024.

KINGFISHER COUNTY RURAL WATER DISTRICT NO. 3

Kingfisher, Oklahoma

Notes to the Financial Statements

September 30, 2024

Note C – Other Contingencies

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.

Litigation

District officials are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments against the District.

Subsequent Events

Management has evaluated subsequent events through December 9, 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.

Note D – Prior Period Adjustment

Kingfisher County awarded the District \$750,000 in ARPA funds for approximately 8.5 miles of 6" waterline improvements. The project was completed during the 2022-23 fiscal year, however, the improvements were not recorded in the 2022-23 financial statements. A \$750,000 prior period adjustment was made in the 2023-24 financial statements to record this contribution of capital. The adjustment, in effect, increases the District's capital assets and net position as of September 30, 2024.

KINGFISHER COUNTY RURAL WATER DISTRICT NO. 3

Kingfisher, Oklahoma

Schedule of Water Rates and Customers

-Unaudited Information-

September 30, 2024

Water Rates:

0 – 1,000 gallons	-	\$30.00
1,001 – 31,000 gallons	-	\$0.40/100 gallons
31,001 – 51,000 gallons	-	\$0.45/100 gallons
51,001 – 60,000 gallons	-	\$.50/100 gallons
60,000+ gallons	-	\$5.00/1,000 gallons

Customers:

The District had approximately 145 active accounts at the close of the fiscal year.