

**Muskogee County Rural Water District No. 3
Council Hill, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended December 31, 2023

Audited by

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

BROKEN ARROW, OK

Muskogee County Rural Water District No. 3
Council Hill, Oklahoma
Board of Directors
December 31, 2023

BOARD OF DIRECTORS

Chairman

Jeff Eller

Vice-Chairman

Howard Whatley

Secretary / Treasurer

Marcus Overturff

Members

Paulette Barnes

Emily Pierce

Rick Tidwell

Mickie Bennett

PLANT OPERATOR / MANAGER

Kentley McCullar

OFFICE MANAGER

Elizabeth Monks

Muskogee County Rural Water District No. 3
Council Hill, Oklahoma
December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Muskogee County Rural Water District No. 3
Council Hill, Oklahoma

Report on the Audit of the Financial Statements

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Muskogee County Rural Water District No. 3, Council Hill, 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

The District has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

The prior year “memorandum only” comparative information and the supplemental information on page 21 are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

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



BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

Eric M. Bledsoe, CPA
Jeffrey D. Hewett, CPA
Christopher P. Gullekson, CPA

P.O. BOX 1310 • 121 E. COLLEGE ST. • BROKEN ARROW, OK 74013 • (918) 449-9991 • (800) 522-3831 • FAX (918) 449-9779

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

Board of Directors
Muskogee County Rural Water District No. 3
Council Hill, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Muskogee County Rural Water District No. 3, Council Hill, 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 identified one deficiency in internal control that we consider to be a material weakness. This finding is identified as item 23-1 in the accompanying Schedule of Findings and Responses.

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

MUSKOGEE COUNTY RURAL DISTRICT NO. 3
Disposition of Prior Year's Significant Deficiencies
December 31, 2023

22-1 – Lack of Segregation of Duties

Finding – Presently, the same individual performs all accounting functions: receives utility service-related payments, is responsible for service billing and adjustment, makes bank deposits, writes checks, reconciles the monthly bank statements and prepares monthly financial reports. This is considered a lack of segregation of duties.

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.

Disposition – This finding continued in the 2023 fiscal year.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 3
Schedule of Audit Results
December 31, 2023

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit disclosed a significant deficiency in the internal controls which was considered to be 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:

23-1 – Lack of 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: receives utility service-related payments, is responsible for service billing and adjustment, makes 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 hire additional staff when funding becomes available.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 3
Statement of Net Position
December 31, 2023

| ASSETS | 2023 | -Memorandum- -Only- 2022 |
|---|---------------------|---|
| | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 241,897 | 371,127 |
| Investments | 200,883 | 0 |
| Accounts receivable | 49,015 | 50,758 |
| Prepaid insurance | 8,026 | 7,197 |
| Total current assets | 499,821 | 429,082 |
| Restricted Assets: | | |
| Sinking fund | 34,828 | 33,951 |
| Capital Assets: | | |
| Land | 1,000 | 1,000 |
| Water system & lines | 2,692,096 | 2,658,830 |
| Maintenance equipment | 145,788 | 127,032 |
| Automatic meter reading system | 92,801 | 78,750 |
| Office furniture & equipment | 17,716 | 17,716 |
| Total capital assets | 2,949,401 | 2,883,328 |
| Less: accumulated depreciation | (1,344,669) | (1,285,427) |
| Total capital assets (net) | 1,604,732 | 1,597,901 |
| Other Assets: | | |
| Loan costs | 171,402 | 171,402 |
| Less: accumulated amortization | (128,779) | (117,858) |
| Total other assets | 42,623 | 53,544 |
| TOTAL ASSETS | \$ 2,182,004 | 2,114,478 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable | \$ 24,244 | 3,296 |
| Renter deposits | 1,000 | 1,000 |
| Interest payable | 19,190 | 14,528 |
| Current maturities of long-term debt | 90,000 | 90,000 |
| Total current liabilities | 134,434 | 108,824 |
| Long-Term Debt, less current maturities- | | |
| Revenue bonds payable | 1,000,000 | 1,090,000 |
| Unamortized premium on bonds payable | 76,335 | 83,968 |
| Total long-term liabilities | 1,076,335 | 1,173,968 |
| Total Liabilities | 1,210,769 | 1,282,792 |
| NET POSITION | | |
| Net investment in capital assets | 438,397 | 333,933 |
| Restricted assets | 34,828 | 33,951 |
| Unrestricted assets | 498,010 | 463,802 |
| Total Net Position | 971,235 | 831,686 |
| TOTAL LIABILITIES AND NET POSITION | \$ 2,182,004 | 2,114,478 |

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

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 3
Statement of Revenues, Expenses and Changes in Net Position
For The Year Ended December 31, 2023

| | 2023 | -Memorandum- -Only- 2022 |
|---|-------------------|--------------------------------|
| Revenue from Operations: | | |
| Water sales | \$ 594,060 | 598,201 |
| Late charges | 19,932 | 17,425 |
| Benefit unit sales | 38,910 | 11,208 |
| Transfer & reconnect fees | 4,449 | 4,575 |
| Refunds & reimbursements | 23,314 | 8,513 |
| Total revenue from operations | 680,665 | 639,922 |
| Expenses from Operations: | | |
| Professional fees | 2,700 | 10,025 |
| Repairs & maintenance | 0 | 300 |
| Contract labor | 124,273 | 106,455 |
| Parts & supplies | 69,126 | 66,783 |
| Meters | 0 | 3,000 |
| Chemicals & lab | 36,499 | 69,978 |
| Testing fees | 7,440 | 7,543 |
| Insurance | 15,611 | 14,480 |
| Miscellaneous | 24,846 | 19,234 |
| Office and postage | 10,599 | 8,554 |
| Salaries | 102,389 | 92,020 |
| Payroll taxes | 7,833 | 7,040 |
| Utilities | 24,291 | 22,695 |
| Dues & fees | 14,150 | 13,216 |
| Amortization | 10,921 | 11,426 |
| Depreciation | 59,242 | 56,234 |
| Total expenses from operations | 509,920 | 508,983 |
| Net Income (Loss) from Operations | 170,745 | 130,939 |
| Non-operating revenues (expenses): | | |
| Interest earnings | 10,093 | 900 |
| Interest on debt | (41,289) | (39,150) |
| Total other income | (31,196) | (38,250) |
| Change in Net Position | 139,549 | 92,689 |
| Total Net Position, beginning of period | 831,686 | 738,997 |
| Total Net Position, end of period | \$ 971,235 | 831,686 |

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

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 3
Statement of Cash Flows
For Year Ended December 31, 2023

| | 2023 | -Memorandum- -Only- 2022 |
|--|-------------------|--------------------------------|
| Cash Flows from Operating Activities: | | |
| Receipts from customers | \$ 697,590 | 639,922 |
| Payments to employees | (102,389) | (92,020) |
| Payments to vendors | (332,431) | (357,089) |
| Net Cash Provided by Operating Activities | 262,770 | 190,813 |
| Cash Flows from Capital and Related Financing Activities: | | |
| Principal payments on long-term debt | (90,000) | (85,000) |
| Interest payments on long-term debt | (44,260) | (47,830) |
| Purchase of capital assets | (66,073) | (4,316) |
| Net cash provided by (used in) capital and related financing activities | (200,333) | (137,146) |
| Cash Flows from Investing Activities: | | |
| (Increase) decrease in restricted assets | (877) | 738 |
| Purchase of investments | (200,000) | 0 |
| Interest revenue, excluding investment interest | 9,210 | 900 |
| Net cash provided by (used in) investing activities | (191,667) | 1,638 |
| Net Increase (Decrease) in Cash and Equivalents | (129,230) | 55,305 |
| Cash and cash equivalents, beginning of period | 371,127 | 315,822 |
| Cash and cash equivalents, end of period | \$ 241,897 | 371,127 |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating Income (loss) | \$ 170,745 | 130,939 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Depreciation Expense | 59,242 | 56,234 |
| Amortization Expense | 10,921 | 11,426 |
| (Increase) decrease in accounts receivable | 1,743 | (8,121) |
| (Increase) decrease in prepaid expenses | (829) | 224 |
| Increase (decrease) in payables | 20,948 | 111 |
| Net Cash Provided by Operating Activities | \$ 262,770 | 190,813 |

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

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 3

Council Hill, Oklahoma

Notes to the Financial Statements

December 31, 2023

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Muskogee County Rural Water District No. 3 (the District) was incorporated under the Laws of the State of Oklahoma in accordance with Title 82 of the Oklahoma Statutes, as a subdivision of the State of Oklahoma. The District operates and maintains a water treatment and distribution system within Muskogee County, Oklahoma, and provides potable water services for members around Council Hill, Oklahoma.

Fund Accounting

The District is accounted for within the framework of enterprise fund accounting. Enterprise funds are used to account for operations that are operated in a manner similar to private business enterprises wherein the intent of the District's Board of Directors is to recover the cost of providing goods and services through user charges.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The District utilizes the accrual basis of accounting, which is in accordance with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses when incurred.

Budgetary Data

The District is required by its loan agreements to prepare annually an estimated budget.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of unrestricted cash in the checking accounts.

Accounts Receivable

Accounts receivable represent customer billings for water sales, which were due and owing at the statement of net position sheet date.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 3

Council Hill, Oklahoma

Notes to the Financial Statements

December 31, 2023

Note 1 – Summary of Significant Accounting Policies - (cont'd)

Memorandum Totals

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

Allowance for Doubtful Accounts

The District does not have an allowance for doubtful accounts because it believes the ultimate amount received will be materially similar to the amount accrued.

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts, premiums, and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of various debt issues.

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) law through constructional provisions or 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.

It is the District’s policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 3

Council Hill, Oklahoma

Notes to the Financial Statements

December 31, 2023

Note 1 – Summary of Significant Accounting Policies - (cont'd)

Revenues, Expenditures & Expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Governmental Accounting Standards Board Statement No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

1. For the first time the financial statement should include:
 - a. A Management Discussion and Analysis (MD&A) section providing analysis of the District’s overall financial position and results of operations.
 - b. Financial statements prepared using full accrual accounting for all of the District’s activities, except for including the General capital assets or infrastructure (liens, pump stations, etc.).
2. A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The District has elected to implement the general provisions of the Statement and report infrastructure acquired after December 31, 2003 as provided by GASB standards.

Income Taxes

The District is exempt from income taxes.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 3

Council Hill, Oklahoma

Notes to the Financial Statements

December 31, 2023

Note 1 – Summary of Significant Accounting Policies - (cont'd)

Compensated Absences

The organization does not accrue a liability for compensated absences. This is not in accordance with generally accepted accounting principles. However, because of the limited number of people employed by the organization, any liability for compensated absences as of December 31, 2023 would not be material to the financial statements taken as a whole.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

As a local government unity, the District is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the District's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Finance-Related Legal & Contractual Provisions

The terms of the loan agreements require Reserve Accounts as shown in Note 4. All of the requirements have been met.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the District for this fiscal year.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 3

Council Hill, Oklahoma

Notes to the Financial Statements

December 31, 2023

Note 3- Cash and Equivalents

Custodial Credit Risk

At December 31, 2023, the District held deposits of approximately \$477,665 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit are 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 limitation of state law as follows:

- a. Direct obligation 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.).

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 3

Council Hill, Oklahoma

Notes to the Financial Statements

December 31, 2023

Note 4 – Capital Assets

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. The capital asset information for the District is shown below:

The following is a summary of the property, plant and equipment of the District as of December 31, 2023:

| | <u>Balance at Dec. 31, 2022</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at Dec. 31, 2023</u> |
|-----------------------------------|-------------------------------------|------------------|------------------|-------------------------------------|
| Land | \$ 1,000 | - | - | 1,000 |
| Water system & lines | 2,658,830 | 33,266 | - | 2,692,096 |
| Office Furniture & Equipment | 17,716 | - | - | 17,716 |
| Automatic Meter Reading System | 78,750 | 14,051 | - | 92,801 |
| Maintenance Equipment | 127,032 | 18,756 | - | 145,788 |
| Subtotal | 2,883,328 | 66,073 | - | 2,949,401 |
| Less: Accumulated Depreciation | <u>(1,285,427)</u> | <u>(59,242)</u> | <u>-</u> | <u>(1,344,669)</u> |
| Total | <u>\$ 1,597,901</u> | <u>6,831</u> | <u>-</u> | <u>1,604,732</u> |

Note 5 – Long-Term Debt

Revenue Bonds Payable

On June 6, 2017, the District issued a Series 2017 Promissory Note to Oklahoma Water Resources Board. The proceeds in the amount of \$1,595,000, of the 2017 Note along with available funds of the District were utilized to retire the Series 2008 Revenue Bonds. Under the terms of the Agreement, the district is required to maintain certain deposits with a trustee bank. Such deposits are included as restricted assets in the Statement of Net Position.

The 2017 Note may be prepaid in whole, or in part, at any time with the prior written approval from OWRB. The maturity date of this Note is October 1, 2033, and all principal and accrued, but unpaid, interest shall be due and payable upon that date.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 3

Council Hill, Oklahoma

Notes to the Financial Statements

December 31, 2023

Note 5 – Long-Term Debt (cont'd)

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2023:

| | <u>Balance at Dec. 31, 2022</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at Dec. 31, 2023</u> |
|---|-------------------------------------|------------------|------------------|-------------------------------------|
| Series 2017B OWRB Bonds | \$ 1,180,000 | 0 | (90,000) | 1,090,000 |
| Unamortized Premium on Bonds Payable | 83,968 | 0 | (7,633) | 76,335 |
| Less: Current Maturities of Long-Term Debt | <u>(90,000)</u> | | | <u>(90,000)</u> |
| Net Long-Term Debt | <u>\$ 1,173,968</u> | | | <u>\$ 1,076,335</u> |

Restricted Cash

The Cash in Trust Fund account is an account that is an offset to the Revenue Bonds Payable. This fund is made up of a separately held account held by the Trustee Bank (BancFirst). The account is the sinking fund with a December 31, 2023, balance of \$34,828.

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of December 31, 2023, are as follows:

| <u>Year Ended December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Annual Payment</u> |
|------------------------------------|---------------------|-----------------|---------------------------|
| 2024 | \$ 90,000 | 41,380 | 131,380 |
| 2025 | 95,000 | 38,500 | 133,500 |
| 2026 | 100,000 | 35,460 | 135,460 |
| 2027 | 100,000 | 31,260 | 131,260 |
| 2028 | 105,000 | 27,060 | 132,060 |
| 2029-33 | <u>600,000</u> | <u>66,200</u> | <u>666,200</u> |
| Total | <u>\$ 1,090,000</u> | <u>239,860</u> | <u>1,329,860</u> |

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 3

Council Hill, Oklahoma

Notes to the Financial Statements

December 31, 2023

Note 6 – Contingencies

Litigation

According to management, there were no known contingent liabilities as of December 31, 2023, which would have a material effect on the financial statements.

Note 7 – Insurance Coverage

The District has the following insurance coverage:

- Property Coverage (Buildings and Personal Property)
- Comprehensive General Liability
- Errors or Omissions
- Employment Related Practices Liability
- Employee Dishonesty and Crime Coverage
- Worker’s Compensation

Note 8 – Sewer Collections

The District has agreed to collect sewer billings for the Council Hill Public Works Authority (PWA). These collections are paid by water customers to the District, and then forwarded to Council Hill PWA once a month. During the 2023 year, the District collected \$14,000 in sewer revenue, which was then forwarded to Council Hill PWA.

Note 9 – Benefits

The District does not provide retirement or insurance benefits to employees.

Note 10 – Subsequent Events

The District did not have any subsequent events through February 16, 2024, which is the date of the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending December 31, 2023.

MUSKOGEE COUNTY RURAL DISTRICT NO. 3
Schedule of Water Rates and Customers
-Unaudited Information-
December 31, 2023

Water Rates

| | | |
|------------------------|---|---------------------------|
| 0 – 1,000 gallons | = | \$43.50 minimum bill |
| 1,001 – 5,000 gallons | = | \$6.25 per 1,000 gallons |
| 5,001 – 10,000 gallons | = | \$9.38 per 1,000 gallons |
| 10,001 gallons and up | = | \$12.50 per 1,000 gallons |

Customers

The District had 666 customers at the close of the fiscal year.

Current benefit unit fee is \$1,800 for a new setup or \$1500 for just the meter.