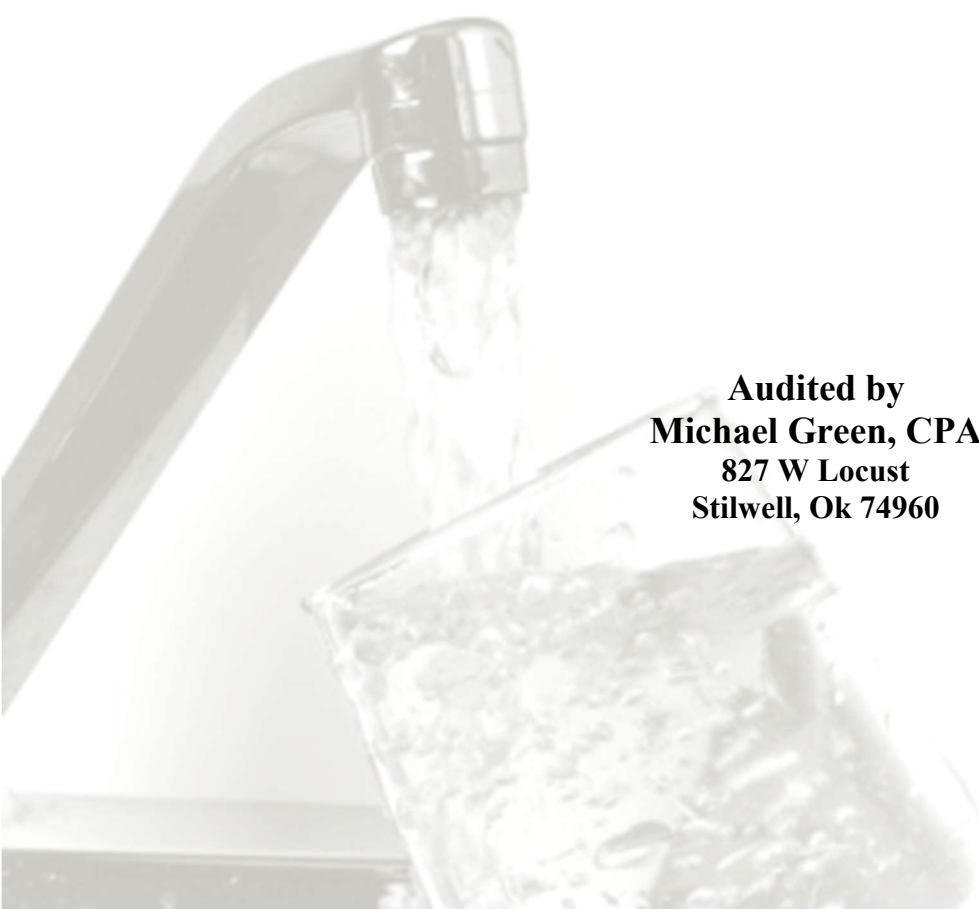


RURAL WATER DISTRICT # 3

Washington County, Oklahoma

Annual Financial Statements & Independent Auditor's Report

December 31, 2024



**Audited by
Michael Green, CPA
827 W Locust
Stilwell, Ok 74960**

RURAL WATER DISTRICT NO. 3
Washington County, Oklahoma

CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION:	
Management’s Discussion and Analysis Report	3
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Fund Net Position	9
Statement of Cash Flows	10
Notes to the Financial Statements	11
Combining Statement of Net Position	17
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	18
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule	19
Notes to Budgetary Comparison Schedule	20
OTHER SUPPLEMENTARY INFORMATION:	
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	21

MICHAEL W. GREEN

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STILWELL, OK 74960
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rural Water District No. 3
Washington County, Oklahoma

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Washington County Rural Water District No. 3 (the District), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of December 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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

My 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 my opinion. 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 judgement 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, I:*

- 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 my 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.

I am 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 I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining statement of financial position and combining statement of revenues, expenses and changes in fund balance are presented for additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements 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 my opinion, the combining statement of financial position and combining statement of revenues, expenses and changes in fund balance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated April 28, 2025, on my consideration of the District's internal control over financial reporting and on my 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 my 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.

Regards,



Michael Green, CPA
Stilwell, Oklahoma
April 28, 2025

**Washington County Rural Water District No. 3
Management’s Discussion and Analysis Report
For Fiscal Year 2024
(Ended December 31, 2024)**

Introduction

The purpose for this report is to present, from the District Manager’s perspective, an assessment of the financial activities and performance of Washington Country Rural Water District No. 3 (hereinafter referred to as the “District”) for the audited year. The primary goal of this report is to address the critical question “Is the District as a whole better or worse off as a result of the year’s activities?” It is also the goal of this report to present the findings from the audit and other critical operations information in an easy-to-read format for interpretation by the non-accountant.

The information included herein should be read in conjunction with the financial statements prepared by the District’s Auditor. Also note that the currency amounts presented herein have been rounded to the nearest dollar.

Financial Highlights

- The amount of water sold in FY ’24 (952,938,742 gallons) increased by approximately 6.35 percent when compared to the previous year (sold 895,984,285 gallons in FY ‘23).
- Revenues from the sale of water accounted for 76 percent of all revenues. The total revenue from water sales increased by approximately 18 percent when compared to FY ’23.
- The District expended approximately \$1,923,365 on new infrastructure during the year.
- The District did improve its position with regard to total liabilities by decreasing their value by \$625,275 when compared to FY ‘23. Total equity increased by approximately \$2,056,998.
- The District as a whole is much better off as a result of the year’s activities.

Overview of Financial Statements

The financial statements prepared for the FY ‘24 audit was used to develop this report. A brief description of each statement and their purpose follows:

Statements of Financial Position [Balance Sheet] - The purpose for the “Statements of Financial Position” is to present a summary of the District’s net assets. In simple terms this statement shows what we own (assets) minus what we owe (liabilities). When we compare this years Statement of Financial Position to previous years, we look at how our net worth (i.e., net assets) is increasing or decreasing. This is one indicator of how the District’s financial position is improving or deteriorating.

Statements of Activities - The “Statements of Activities” presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year without regard to when cash was received or paid.

Statements of Cash Flows - The “Statements of Cash Flows” presents changes in cash and cash equivalents (i.e., Accounts Payable and Receivable), resulting from operational, financing and investing activities. This statement shows how the District’s cash on hand changed from the beginning to the end of the year.

Condensed Financial Statements

Condensed Statement of Financial Position

	12/31/24	12/31/23	Dollar Change	Percent Change
Current and Other Assets	\$12,166,195	\$11,156,026	\$1,009,669	9.05%
Capital Assets	\$40,050,344	\$39,628,790	\$421,554	1.06%
Total Assets	\$52,216,539	\$50,748,816	\$1,431,223	2.82%
Current Liabilities	\$898,846	\$865,647	\$33,199	3.84%
Long-Term Liabilities	\$14,826,372	\$15,484,846	(\$658,474)	(4.25%)
Total Liabilities	\$15,725,218	\$16,350,493	(\$625,275)	(3.82%)
Net Assets invested in capital assets, net of related debt	\$24,565,497	\$23,519,330	\$1,046,167	4.45%
Restricted for debt service	\$904,594	\$1,258,936	(\$353,842)	(28.12%)
Unrestricted net assets	\$11,021,230	\$9,656,057	\$1,364,673	14.13%
Total Net Assets	\$36,491,321	\$34,434,323	\$2,056,998	5.97%

Condensed Statement of Activities

	12/31/24	12/31/23	Dollar Change	Percent Change
Operating Revenues	\$8,299,579	\$7,170,951	\$1,128,628	15.74%
Non-operating Revenues	\$2,130,356	\$2,616,212	(\$485,856)	(18.57%)
Total Revenues	\$10,429,935	\$9,787,163	\$642,772	6.57%
Depreciation Expense	\$1,561,427	\$1,337,006	\$224,421	16.79%
Other Operating Expenses	\$6,361,475	\$5,967,569	\$394,406	6.61%
Total Expenses	\$7,922,902	\$7,304,575	\$618,827	8.47%
Change in Net Assets	\$2,056,998	\$1,976,629	\$81,369	4.12%
Beginning Net Assets	\$34,434,323	\$32,458,694	\$1,975,629	6.09%
Ending Net Assets	\$36,491,321	\$34,434,323	\$2,056,498	5.97%

Analytical Overview

Sources of Income - The District's primary sources of income are from the sale of water services. Other sources of income include interest on investments; membership fees; and collection fees. The District has no taxing power.

Growth - During the year 242 new benefit units (i.e., water meters) were sold compared to a total of 330 sold in FY '23. The District sold 952,938,742 gallons of water, which represents an approximate decrease of 6.35 percent when compared to FY '23 and was likely a result of more mild weather in FY '23. The decrease in last years benefit unit sales is likely the result of a weaker housing market compared to the previous year.

Statements of Net Position:

Total Net Assets - The *Statement of Net Assets* shows that the District's total net assets actually increased by \$1,431,223 when compared with FY '23. This increase represents 2.8% in our total net assets. Although current assets (i.e., cash) increased by \$1,009,669, the District's fixed assets (i.e., land, equipment and infrastructure) actually increased by \$1,923,365 and the District's investments increased by \$5,380,478.

On the *Statement of Net Assets* we see that the District improved its position with regard to total (i.e., current and long term) liabilities by decreasing there value by \$624,612 when compared to FY '23. This decrease occurred primarily in the category of bond payables and note payables. Total equity increased by approximately \$2,056,998.

Statement of Revenues, Expenditures and Changes in Fund Net Position:

Reviewing the *Statement of Revenues, Expenditures and Changes in Fund Net Position* we can see that the District's change in net assets was \$2,056,998. This compared favorably to the net change in net assets of \$1,975,629 experienced in FY '23.

Revenues – The District's total operating revenues for FY '24 were \$8,299,579. This represents an increase of approximately \$1,128,628 or 15 percent over FY '23. Approximately 76 percent of our revenues (i.e., \$7,952,533) were derived from sale of water services.

Approximately 4 percent of revenues (\$415,000) came from membership fees. Revenues from these items were down 16 percent over FY '23.

Expenses - The District's total operating expenses were \$7,922,902. Excluding depreciation and amortization the total operating expenses are reduced to \$6,361,475. This represents an approximate increase of \$618,827 or 8.5 percent over FY '23.

Statement of Cash Flows:

As shown in the *Statement of Cash Flows* the District had a net increase in cash at the end of the year of \$462,156.

Annual Budget

As required by the District's By-Laws, an Annual Budget was prepared by the District Manager for FY '24. The basis for the budget included a thorough examination of the actual results from the last several years. The budget also included certain anticipated expenses that were related to budgeted capital projects. The FY '24 Annual Budget was reviewed and approved by the Board during the Board meeting held on March 11, 2024.

Debt Administration:

The remaining balance for all promissory notes (i.e., loans) at the beginning of the year was \$16,109,460. No new loans were acquired during 2024 and all scheduled loan and interest payments through December 31, 2024 were made on time. The District reduced its principal on outstanding loans by \$624,612. The balance remaining on all outstanding loans is \$15,484,848. The sinking fund for the District's loans is fully funded.

Highlights of Other Critical Information:

- In Fiscal Year 2024 the District continued to meet the new and more stringent water quality regulations. This includes monthly testing for Total Organic Carbons (TOC's) and quarterly testing for Trihalomethanes (THM's) and Haloacetic Acids (HAA's). We also started the first phase of the Unregulated Contaminant Monitoring Regulations (UCMR5). The District is pleased to report that our water quality complied with all the regulations.
- Caney River Raw Water Supply Project
 - Legal action filed by the Contractor against the District is in progress.
- Water Treatment Plant Expansion Project
 - Legal action by Design Engineer of WTP Expansion Project continued against the District in 2024.
- Water Resources Master Planning – We continue work on our master plan for the District.
- Billing and Accounting Software – The District began the transition to a new billing and accounting software system.
- Oklahoma Department of Transportation – The District worked with ODOT on the following projects:
 - Highway 11 from Bird Creek going North for approximately 3 miles– The District's contractor continues to install various sizes of waterline.
- Owasso Utility Relocation Projects – The District worked with the City of Owasso on various projects including:
 - 106th St. North and 129th East Ave. intersection widening waterline relocation design.
 - 96th St. North Road widening between 129th East Ave. and Garnett waterline relocation design.
- Tulsa County Utility Relocation Projects
 - 86th Steet Widening - The District worked with Tulsa County on the development of water line relocation plans for water lines along 86th Street North from Memorial to Highway 75.
- 24-Inch Water Line Extension – Effort continued on the acquisition of easements and plan development for the extension of approximately two and a half (2.5) miles of new 24-inch water line beginning at 166th Street North and extending South to Highway 20.
- Pavey Water Tower Repair & Repaint – The District retained a contractor to make repairs and repaint the Pavey Water Tower.

Conclusions – The District as a whole has a better financial position than a year ago. The value of our total liabilities decreased while the value of our total equity increased. Our total debt service was decreased by \$353,842. We ended the year with more cash and investments (i.e., \$717,094) than we started with.

Looking Forward – As we look forward to Fiscal Year 2025 we anticipate our growth to be the same or slightly higher than that which was experienced in FY '24. We also anticipate progress on the following major capital projects:

- Water Treatment Plant Expansion Project: We anticipate progress on the lawsuit for this project.
- Caney River Raw Water Supply Project: We anticipate progress on the lawsuit for this project.
- Water Quality Regulations – We will continue sampling and testing for S.O.C. as mandated by the EPA. We will also complete sampling and testing for UCMR5.
- Water Resources Master Plan – We will continue to work on the master plan for the District. This master plan will identify future capital needs with emphasis on priority.
- Pavey Water Tower – The District will complete repair and repainting work on the Pavey Water Tower.
- Residuals Management – The District will retain a contractor to remove and dispose of residuals from Lagoons #1 and #2.
- Billing and Accounting Software – The District will complete the transition to new billing and accounting software.
- Future Water Lines – The District is planning:
 - To develop plans for the construction of new 24-inch water line.
 - The District will work with the ODOT on the following:
 - To complete relocation plans and construction for relocation of certain water lines along Highway 11.
 - The District will work with Tulsa County to prepare water line relocation plans for the following:
 - Along 86th Street North in areas East and West of Sheridan.
 - The District will continue to work with Owasso on the following:
 - Water line relocations in the intersection of 106th and 129th East Avenue.
 - Water line relocations along 96th Street North between Garnett and 129th East Avenue.

**RURAL WATER DISTRICT NO. 3
WASHINGTON COUNTY, OKLAHOMA**

**STATEMENT OF NET POSITION
DECEMBER 31, 2024**

	<u>2024</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,651,566
Restricted cash	895,524
Investments	5,380,478
Accounts receivable	498,454
Accrued interest receivable	-
Inventory	677,605
Prepaid insurance	62,568
Total current assets	<u>12,166,195</u>
Noncurrent assets:	
Capital assets:	
Building & land	713,767
Machinery & tools	514,184
Automotive equipment	755,867
Furniture & fixtures	116,212
Lab equipment	40,706
Water treatment & distribution system	60,351,223
Construction in Progress	1,211,335
Less accumulated depreciation	<u>(23,652,950)</u>
Total capital assets	<u>40,050,344</u>
Total Assets	<u><u>\$ 52,216,539</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 69,454
Accrued interest payable	170,917
Current portion of long-term debt	<u>658,475</u>
Total current liabilities	<u>898,846</u>
Noncurrent liabilities:	
Revenue Bonds payable	10,570,000
Revenue Bond premium	889,042
Notes payable	4,025,805
Less: current portion	<u>(658,475)</u>
Total noncurrent liabilities	<u>14,826,372</u>
Total Liabilities	<u><u>15,725,218</u></u>
NET POSITION	
Net Investment in Capital Assets	24,565,497
Restricted for Debt Service	904,594
Unrestricted	<u>11,021,230</u>
Total Net Position	<u><u>\$ 36,491,321</u></u>

The accompanying notes and auditor's report are an integral part of the financial statements.

**RURAL WATER DISTRICT NO. 3
WASHINGTON COUNTY, OKLAHOMA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2024**

	2024
Operating revenues:	
Water sales (net of adjustments)	\$ 7,952,533
Penalties, fees, service charges and miscellaneous	347,046
Total operating revenues	<u>8,299,579</u>
Operating expenses:	
Salaries, wages & contract labor	1,478,341
Payroll taxes	113,484
Employee benefits	88,706
Utilities	461,165
Telephone	26,194
Equipment expense	604
Depreciation	1,561,427
Vehicle expense	78,536
Building, vehicle & other insurance	328,480
Plant repair & maintenance	601,951
Chemicals	1,686,908
Travel, entertainment & miscellaneous	67,649
Licenses & fees	51,633
Plant supplies	796,905
Water purchased	11,302
Office expense & postage	179,595
Professional fees	390,022
Total operating expenses	<u>7,922,902</u>
Net operating income	376,677
Nonoperating revenue (expense)	
New benefit units	415,000
Contribution of developments	1,290,859
Unrealized gain on investments	254,939
Interest income	163,050
Interest Expense	(450,035)
Gain on sale of asset	6,508
Total nonoperating revenue (expense)	<u>1,680,321</u>
Operating transfers: In	1,688,819
Operating transfers: Out	(1,688,819)
Total Operating Transfers	<u>-</u>
Change in net position	2,056,998
Net position beginning of year	34,434,323
Net position end of year	<u><u>\$ 36,491,321</u></u>

The accompanying notes and auditor's report are an integral part of the financial statements.

**RURAL WATER DISTRICT NO. 3
WASHINGTON COUNTY, OKLAHOMA**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024**

	<u>2024</u>
Cash flows from operating activities:	
Receipts from customers	\$ 8,258,963
Payments to suppliers	(4,993,680)
Payments to employees	(1,680,431)
Net cash provided (used) by operating activities	<u>1,584,852</u>
Cash flows from noncapital financing activities:	
Other Non-Operating Income	<u>1,290,859</u>
Net cash provided (used) by noncapital financing activities	<u>1,290,859</u>
Cash flows from capital and related financing activities:	
New benefit units	415,000
Purchase of capital assets (net of non-cash contributions)	(1,502,260)
Change in Construction in progress	(421,205)
Gain on sale of fixed assets	6,508
Principal paid on capital debt	(624,613)
Interest paid on capital debt	(450,035)
Net cash provided (used) by capital and related financing activities	<u>(2,576,605)</u>
Cash flows from investing activities:	
Interest income	<u>163,050</u>
Net cash provided (sed) by investing activities:	<u>163,050</u>
Net increase (decrease) in cash and cash equivalents	462,156
Cash balance beginning of year (adjusted to include restricted cash)	<u>5,084,934</u>
Cash balance end of year (non-restricted & restricted)	<u><u>\$ 5,547,090</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 376,677
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	1,561,427
Change in depreciation due to asset disposal	(59,516)
Change in assets and liabilities:	
Accounts receivable	(43,745)
Interest receivable	3,129
Inventory	(252,458)
Accounts payable	(662)
Accrued interest payable	-
Net cash provided by operating activities	<u><u>\$ 1,584,852</u></u>
Additional Cash Flow Information	
Interest Paid	\$ 450,035

The accompanying notes and auditor's report are an integral part of the financial statements.

RURAL WATER DISTRICT NO. 3
Washington County, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Washington County Rural Water District Number 3 (the District) complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations.) The accounting and reporting framework and the more significant accounting policies established by GAAP and used by the District are discussed below.

A. REPORTING ENTITY

The District was organized in 1965, under Title 82, O.S. Supp. 1972, Sections 1324.1 to 1324.26 for the purpose of providing a water works system including all physical facilities, improvements and services necessary for executing that purpose, in Washington, Osage, Tulsa and Rogers counties. Since the District is a political subdivision of the State of Oklahoma, under Title 82, it is exempt from Federal and State income taxes.

The membership consists of approximately 11,500 benefit unit holders, each entitled to one vote. Subscribers to benefit units pay a \$ 1,500 subscription fee (\$ 1,000 prior), which is non- refundable, and entitles the holder to one line from the District's water system. The Board of Directors consist of 7 members serving 3-year terms. The vacant Board seats are filled at the annual meeting in April, and following, the Board of Directors meet and elect a Chairman, Vice-Chairman, Secretary and Treasurer.

B. BASIS OF ACCOUNTING

The District's policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenue and the related assets are recognized when earned, and expenditures are recognized when the obligation is incurred.

C. CASH, CASH EQUIVALENTS AND INVESTMENTS

For the purpose of financial reporting, "cash and cash equivalents" include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Revenue bond and promissory note trust account investments in open-ended mutual fund shares are also considered cash equivalents and are reported at the funds' current share costs which approximates fair value. 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. The District's only investments are open-ended mutual funds that are considered a cash equivalent.

The deposits and investments held at December 31, 2024 are as follows:

	<u>Deposits and Investments</u>
Utility Demand Deposits	\$ 1,870,138
NWTP restricted	438,155
Time deposits	2,785,959
OWRB Accounts (DCUA):	
Project Mutual Funds - BancFirst	245,902
Bond Premium Mutual Funds - BancFirst	211,466
	<u>\$ 5,551,620</u>

D. INVENTORY

The District utilizes a perpetual inventory system for supplies. The supplies on hand at year end are valued at the lower of cost or market, on a first-in, first-out basis, and included in the December 31, 2024, financial statements at \$677,605.

E. FIXED ASSETS

All fixed assets are recorded at their original acquisition cost. Depreciation is provided in the financial statements utilizing the following estimated useful lives:

	<u>Years</u>
Office Building	40
Water Plant & System	40
Furniture, Fixtures & Equipment	10
Machinery & Tools	10-15
Automotive	5
Office Equipment	5-15

A summary of the fixed asset accounts for the year ended December 31, 2024, is as follows:

	Balance December 31, 2023	Additions	Disposals	Balance December 31, 2024
Building & Land	\$ 705,778	\$ 7,989	\$ -	\$ 713,767
Machinery & Tools	514,184	-	-	514,184
Automotive	663,297	152,086	(59,516)	755,867
Furniture, Fixtures & Equipment	116,212	-	-	116,212
Lab Equipment	40,706	-	-	40,706
Water Treatment & Dist System	58,949,622	1,401,601	-	60,351,223
Construction in Progress	790,130	421,205	-	1,211,335
	61,779,929	1,982,881	(59,516)	63,703,294
Less Accumulated Depreciation	(22,151,039)	(1,561,427)	59,516	(23,652,950)
Net Property and Equipment	\$ 39,628,890	\$ 421,454	\$ -	\$ 40,050,344

F. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and investments include all deposits held by financial institutions - money market accounts, savings accounts and certificates of deposit. At year-end, the bank balance of the District's deposits totaled \$5,551,620. All funds were either covered by federal depository insurance or collateralized by securities pledged to the District by various depository banks.

GASB Statement No. 72, *Fair Value Measurement and Application*, established a fair value hierarchy for investments. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of December 31, 2024: Treasury Bills in the amount of \$ 5,380,478 are valued using quoted market prices (Level 1 input).

Custodial Credit Risk - Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District requires that all deposits be collateralized by either FDIC insurance or pledged collateral.

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.

Concentration of Credit Risk – The District places no limit on the amount it may invest in any one issuer. Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments. Investments issued or explicitly guaranteed by the US Government and investments in mutual funds, external investment pools and other pooled investments are excluded from this concentration.

Investment Credit Risk – The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the US Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) 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; and government money market funds regulated by the SEC.

The deposits and investments held at December 31, 2024, are as follows:

	Balance 12/31/2024	Restricted	Unrestricted
Cash on Hand	\$ 500	\$ -	\$ 500
RCB Bank			
Cash in Bank Operating	1,869,638	-	1,869,638
RECD Reserve	48,293	48,293	-
RECD Reserve #2	-	-	-
RUS Reserve - CRP	250,079	250,079	-
Caney River Project	159	159	-
North Treatment Plant Construction	139,624	139,624	-
	<u>2,308,293</u>	<u>438,155</u>	<u>1,870,138</u>
Bank First			
Project Fund	245,902	245,902	-
Bond Fund	211,466	211,466	-
	<u>457,368</u>	<u>457,368</u>	<u>-</u>
First Bank of Owasso			
Money Market	1,535,959	-	1,535,959
American Bank of Oklahoma			
Certificate of Deposits	1,000,000	-	1,000,000
Armstrong Bank			
Certificate of Deposits	250,000	-	250,000
TOTAL CASH and DEPOSITS	4,301,620	895,523	3,406,097
TOTAL CERTIFICATE of DEPOSITS	1,250,000	-	1,250,000
Totals	<u>\$ 5,551,620</u>	<u>\$ 895,523</u>	<u>\$ 4,656,097</u>

G. STATEMENT OF CASH FLOWS

For purposes of the Statement of Cash Flows, the District considers demand accounts, subject to withdrawal by check, money market accounts, and cash on hand, as cash or cash equivalents.

H. COMPENSATED ABSENCES

Employees must complete one (1) year of continuous service before earning two (2) weeks of vacation time per calendar year. Employees who have completed two (2) years through five (5) years of continuous service will earn three (3) weeks of vacation time per calendar year. Beginning in the sixth (6) year of continuous service, employees will earn four (4) weeks of vacation time per calendar year. Beginning in the twentieth (20) year of continuous service, employees will earn five (5) weeks of vacation time per calendar year. Vacation time is computed on a calendar year basis.

Vacation pay is vested, and thus paid upon retirement or separation (with two weeks' notice.) Vacation time is to be taken during the calendar year. Employees are required to utilize at least one-half of earned vacation time. The remaining vacation time will be paid at year end and does not carry over to the next year without Board approval. The vacation accrued at December 31, 2024, was paid the last week of 2024 resulting in no compensated absences on the financial statements.

All full-time employees are eligible for sick leave, after six months service, accrued at four hours per month (6 days per year.) Employees may accrue a maximum of 120 days of sick leave. Sick leave is not vested and is lost upon separation.

I. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2024 represent charges for services provided to customers. The District utilizes the direct charge-off method of recognition of bad debts. Uncollectible accounts are an insignificant amount each year, thus there is no reserve for uncollectible accounts at December 31, 2024.

J. USE OF 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 (such as estimated useful lives in determining depreciation expense.) Accordingly, actual results could differ from those estimates.

K. EQUITY CLASSIFICATION

Net position is displayed in three components:

a) Invested in capital assets, net of related debt:

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.

b) Restricted fund balance:

Consists of net assets with constraints placed on the use either by an external group such as creditors, grantors, contributors, or laws and regulation of other governments, or by law through constitutional provisions or enabling legislation.

c) Unrestricted fund balance:

All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

L. BUDGETARY DATA

In accordance with the by-laws of the District, the Board of Directors prepare a budget, under the accrual basis of accounting.

M. FUNDS

During 2020, the District added a bond fund for servicing the bond debt in accordance with the Bond Indenture discussed in note 2.C.

During 2024, the District evaluated its Fiduciary Fund as prescribed by GASB Statement No. 84. The District has concluded it does have Fiduciary responsibility for billing and collecting on behalf of other municipalities. However, the exception allowed in GASB Statement No. 84 paragraph 19 applies to these financial statements since the funds are not held more than 90 days, therefore a separate Fiduciary Fund is not required.

NOTE 2: LONG-TERM DEBT

A. RURAL DEVELOPMENT LOANS

On October 4, 2000, the District entered into a loan agreement with the Rural Utilities Service division of the USDA for \$724,200. The loans bear interest at 5.5% and require monthly payments of \$3,737, respectively, beginning November 4, 2000, through October 4, 2040. The proceeds of the loan were utilized to renovate and upgrade the existing north water treatment plant. The total cost of the project was approximately \$1,746,000. The remaining balance, which was approximately \$692,000, was funded by the District. The total outstanding loan balance as of December 31, 2024, was approximately \$404,488. The \$329,000 loan was paid in full during the 2023 year.

The remaining loan requires a reserve be established and maintained in the amount of \$44,844. During the year ended December 31, 2015, the District reserve was fully funded. As of December 31, 2024, the reserve balance is approximately \$48,293.

On November 17, 2010, the District entered into a loan agreement with the Rural Utilities Service division of the USDA for \$4,800,000. The loan bears interest at 3.75%, and requires monthly payments of \$19,344, beginning December 17, 2010, through November 17, 2050. The proceeds of the loan were utilized to acquire and construct the Caney River project water system improvements. The total cost of the project was approximately \$6,300,000. The remaining balance of which was approximately \$1,500,000 and was funded by the District. The total outstanding loan balance as of December 31, 2024, was approximately \$3,621,317.

This loan requires that a reserve be established and maintained in the amount of \$232,128. During the year ended December 31, 2011, the District reserve was fully funded. The balance in the reserve account at December 31, 2024, is approximately \$250,079.

B. REFUNDING AND CAPITAL IMPROVEMENT REVENUE BONDS

On March 16, 2020, the District issued Revenue Bonds. The Par Amount of the Bonds were \$12,605,000 which were sold at a premium of \$959,204. The proceeds were utilized to pay off Oklahoma Water Resources Board (OWRB) debt of \$11,985,159, fund capital projects costing approximately \$1,189,922, establish a bond fund of \$20,024 and pay related bond expenses of \$384,203.

The bond agreement requires monthly payments into a Bond Fund debt service account, to be held by a trustee, who will make semi-annual payments of principal and interest on March 15th and September 15th each year beginning September 15, 2020, and ending September 15, 2041. As of December 31, 2024, the account was fully funded and has a balance of approximately \$211,466.

The bond premium of \$959,204 is amortized over the life of the bonds using the effective interest method. The bond coupons carry an interest rate between 2% and 3%. As of December 31, 2024, the balance of the bond premium was approximately \$889,043 and the bonds payable balance is \$10,570,000.

C. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in Long-term debt for the year ended December 31, 2024.

Type of Debt	Balance 12/31/2023	Additions	Reductions	Balance 12/31/2024	Amount Due Within One Year
Business Type Activities:					
RECD Loan 724,200	\$ 426,428	-	(21,940)	404,488	\$ 24,485
RUS Loan	3,715,722	-	(94,405)	3,621,317	101,747
Revenue Bond	11,040,000	-	(470,000)	10,570,000	485,000
Revenue Bond Premium	927,310	-	(38,267)	889,043	47,243
Total Business Type Activities:	<u>\$ 16,109,460</u>	<u>-</u>	<u>(624,612)</u>	<u>15,484,848</u>	<u>\$ 658,475</u>

D. DEBT SERVICE REQUIREMENTS

The annual debt service requirements to maturity, including principal and interest, for the long-term debt as of December 31, 2024, is as follows:

Year Ended December 31	Principal	Interest	Total
2025	\$ 658,475	\$ 469,286	\$ 1,127,761
2026	681,820	449,540	1,131,360
2027	710,453	429,202	1,139,654
2028	735,961	408,113	1,144,074
2029	760,964	386,338	1,147,302
2030-2034	9,383,468	2,164,283	11,547,752
2035-2039	873,137	393,427	1,266,564
2040-2044	927,411	233,229	1,160,640
2045-2048	753,159	51,798	804,957
Totals	<u>\$ 15,484,848</u>	<u>\$ 4,985,216</u>	<u>\$ 20,470,064</u>

NOTE 3: WATER PURCHASE CONTRACT

The District has contracts to purchase water from Lake Oologah (an impoundment of the Verdigris River), the Skiatook Reservoir (an impoundment of Hominy Creek), the Caney River and the City of Tulsa. In connection therewith, the District has contracts with the United States Corps of Engineers and the City of Tulsa, and permits to appropriate stream water, from the Verdigris River, Hominy Creek and the Caney River, with the Oklahoma Water Resources Board.

NOTE 4: RETIREMENT PLAN

The District participates in a governmental Section 457 salary reduction plan. The plan is managed by Pension Solutions. All full-time employees are eligible to participate. The District contributes 4 % of each employee's gross salary, monthly, to the plan. Employees are eligible to contribute a percentage of their compensation up to a maximum amount allowed by the plan, and if they contribute at least 4 %, then the District matches that up to 4%. All District contributions become fully vested after 1 year of service.

NOTE 5: LITIGATION

The District is a party to various legal proceedings that normally occur in the course of operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the District, the District feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the District.

NOTE 6: SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 28, 2025, which is the date the financial statements were available to be issued.

**RURAL WATER DISTRICT NO. 3
WASHINGTON COUNTY, OKLAHOMA**

**COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2024**

	Bond Fund 2024	Enterprise Fund 2024	Total 2024
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 4,651,566	\$ 4,651,566
Restricted cash	457,369	438,155	895,524
Investments	-	5,380,478	5,380,478
Accounts receivable	-	498,454	498,454
Accrued interest receivable	-	-	-
Inventory	-	677,605	677,605
Prepaid insurance	-	62,568	62,568
Total current assets	457,369	11,708,826	12,166,195
Noncurrent assets:			
Other assets:			
Capital assets:			
Building & land	-	713,767	713,767
Machinery & tools	-	514,184	514,184
Automotive equipment	-	755,867	755,867
Furniture & fixtures	-	116,212	116,212
Lab equipment	-	40,706	40,706
Water treatment & distribution system	-	60,351,223	60,351,223
Construction in Progress	-	1,211,335	1,211,335
Less accumulated depreciation	-	(23,652,950)	(23,652,950)
Total capital assets	-	40,050,344	40,050,344
Total Assets	\$ 457,369	\$ 51,759,170	\$ 52,216,539
LIABILITIES			
Current liabilities:			
Accounts payable	\$ -	\$ 69,454	\$ 69,454
Accrued interest payable	-	170,917	170,917
Current portion of long-term debt	-	658,475	658,475
Total current liabilities	-	898,846	898,846
Noncurrent liabilities:			
Revenue Bonds payable net of premium	-	11,459,042	11,459,042
Notes payable	-	4,025,805	4,025,805
Less: current portion	-	(658,475)	(658,475)
Total noncurrent liabilities	-	14,826,372	14,826,372
Total Liabilities	-	15,725,218	15,725,218
NET POSITION			
Net investment in capital assets	-	24,565,497	24,565,497
Restricted for debt service	457,369	447,225	904,594
Unrestricted	-	11,021,230	11,021,230
Total Net Position	\$ 457,369	\$ 36,033,952	\$ 36,491,321

The accompanying notes and auditor's report are an integral part of the financial statements.

**RURAL WATER DISTRICT NO. 3
WASHINGTON COUNTY, OKLAHOMA**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Bond Fund 2024	Enterprise Fund 2024	Total 2024
Operating revenues:			
Water sales (net of adjustments)	\$ -	\$ 7,952,533	\$ 7,952,533
Penalties, fees, service charges and miscellaneous	-	347,046	347,046
Total operating revenues	-	8,299,579	8,299,579
Operating expenses:			
Salaries, wages & contract labor	-	1,478,341	1,478,341
Payroll taxes	-	113,484	113,484
Employee benefits	-	88,706	88,706
Utilities	-	461,165	461,165
Telephone	-	26,194	26,194
Equipment expense	-	604	604
Depreciation	-	1,561,427	1,561,427
Vehicle expense	-	78,536	78,536
Building, vehicle & other insurance	-	328,480	328,480
Plant repair & maintenance	-	601,951	601,951
Chemicals	-	1,686,908	1,686,908
Travel, entertainment & miscellaneous	-	67,649	67,649
Licenses & fees	-	51,633	51,633
Plant supplies	-	796,905	796,905
Water purchased	-	11,302	11,302
Office expense & postage	-	179,595	179,595
Professional fees	-	390,022	390,022
Total operating expenses	-	7,922,902	7,922,902
Net operating income	-	376,677	376,677
Nonoperating revenue (expense)			
New benefit units	-	415,000	415,000
Contribution of developments	-	1,290,859	1,290,859
Unrealized gain on Treasury Bills	-	254,939	254,939
Gain on Sale of Fixed Assets	-	6,508	6,508
Interest income	28,535	134,515	163,050
Interest Expense	(289,408)	(160,627)	(450,035)
Total nonoperating revenue (expense)	(260,873)	1,941,194	1,680,321
Operating Transfers: In	797,675	891,144	1,688,819
Operating Transfers: Out	(891,144)	(797,675)	(1,688,819)
Total Operating Transfers	(93,469)	93,469	-
Change in net position	(354,342)	2,411,340	2,056,998
Net position beginning of year	811,711	33,622,612	34,434,323
Net position end of year	\$ 457,369	\$ 36,033,952	\$ 36,491,321

The accompanying notes and auditor's report are an integral part of the financial statements.

**RURAL WATER DISTRICT NO. 3
WASHINGTON COUNTY, OKLAHOMA**

**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2024**

- UNAUDITED -

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
Beginning Budgetary Balance	\$ 34,434,323	\$ 34,434,323	\$ 34,434,323	\$ -
Operating Revenues:				
Water sales	6,832,000	6,832,000	7,952,533	1,120,533
Memberships	450,000	450,000	415,000	(35,000)
Penalties, fees, service charges & misc	883,000	883,000	347,046	(535,954)
Total operating revenues	8,165,000	8,165,000	8,714,579	549,579
Operating Expenses:				
Salaries	1,420,000	1,420,000	1,426,758	(6,758)
Contract labor	30,000	30,000	51,583	(21,583)
Payroll taxes	118,000	118,000	113,484	4,516
Retirement	98,000	98,000	88,706	9,294
Automobile	100,000	100,000	78,536	21,464
Equipment expense	20,000	20,000	604	19,396
Chemicals	1,770,000	1,770,000	1,686,908	83,092
Subscriptions / License / Fees	68,000	68,000	55,860	12,140
Education	9,000	9,000	6,147	2,853
Supplies	800,000	800,000	796,905	3,095
Office expense	82,000	82,000	138,607	(56,607)
Postage	68,000	68,000	64,978	3,022
Professional fees	350,000	350,000	390,022	(40,022)
Line Extensions	800,000	800,000	588,030	211,970
Repair & maintenance	300,000	300,000	435,126	(135,126)
Telephone	26,000	26,000	26,194	(194)
Utilities	445,000	445,000	461,165	(16,165)
Travel	16,000	16,000	7,474	8,526
Uniforms	5,000	5,000	1,188	3,812
Water Purchased	33,000	33,000	11,302	21,698
Insurance	397,000	397,000	328,480	68,520
Taxes	50	50	50	-
Refunds	35,000	35,000	24,571	10,429
Total operating expenses	6,990,050	6,990,050	6,782,678	207,372
Non-operating (income) expenses:				
Caney River loan payments with interest	232,128	232,128	232,128	-
FmHA loan payments	44,844	44,844	44,844	-
N. Plant loan payments	800,932	800,932	671,955	128,977
Miscellaneous income	-	-	(1,290,859)	1,290,859
Unrealized gain on investment	-	-	(254,939)	254,939
Interest income	(170,000)	(170,000)	(163,050)	(6,950)
Total non-operating (income) expenses	907,904	907,904	(759,921)	1,667,825
Total Expenses	7,897,954	7,897,954	6,022,757	1,875,197
Ending Budgetary Balance	\$ 34,701,369	\$ 34,701,369	\$ 37,126,145	\$ 2,424,776

The accompanying notes and auditor's report are an integral part of the financial statements.

RURAL WATER DISTRICT NO. 3
Washington County, Oklahoma

NOTES TO BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2024

Budgetary Information

In accordance with the by-laws of the District, the Board of Directors shall prepare an estimated budget for the coming year.

Basis of Accounting

The budget is prepared on the same accrual basis of accounting as applied to the basic financial statements. Revenues and the related assets are recognized when earned, and expenditures are recognized when the obligation is incurred.

MICHAEL W. GREEN

Certified Public Accountant

827 WEST LOCUST STREET
STILWELL, OK 74960
918-696-6298

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*

To the Board of Directors
Rural Water District No. 3
Washington County, Oklahoma

I have audited, in accordance with the 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 Washington County Rural Water District No. 3, (the District), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated April 28, 2025.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the 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.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses or significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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.

Regards,

A handwritten signature in black ink, appearing to read "Mike Green", with a stylized flourish at the end.

Michael Green, CPA
Stilwell, Oklahoma
April 28, 2025