

AUDIT REPORT
CRAIG COUNTY RWD NO. 2
VINITA, OKLAHOMA
FOR THE YEAR ENDED JUNE 30, 2024



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

CRAIG COUNTY RURAL WATER DISTRICT NO. 2
VINITA, OKLAHOMA
JUNE 30, 2024

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CRAIG COUNTY RURAL WATER DISTRICT NO. 2
BOARD OF DIRECTORS
JUNE 30, 2024

BOARD OF DIRECTORS

Chairman	DeWayne Wallace
Vice-Chairman	Rita Moore
Secretary/Treasurer	Jon Herlan
Member	Robert Falling
Member	Cynthia Simms

MANAGER

Jordan Shofler

BOOKKEEPER

Julie D. Hutcherson



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Craig County RWD #2
Vinita, OK 74301

Opinions

We have audited the accompanying financial statements of the business-type activities of Craig County RWD #2 (the District), Vinita, Oklahoma, as of and for the year ended June 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Craig County RWD #2 as of June 30, 2024, and the respective changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 opinions.

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; this includes 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 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, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8-13 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method 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 basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 25, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants

September 25, 2024



JENKINS & KEMPER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

JACK JENKINS, CPA
MICHAEL KEMPER, CPA

**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
Craig County RWD #2
Vinita, Oklahoma 74301

We 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 Craig County RWD #2 as of and for the year ended June 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 September 25, 2024.

Report on 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over.

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 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.

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 over that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on 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, 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 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.

Jenkins & Kemper, CPAs P.C.

Jenkins & Kemper
Certified Public Accountants, P.C.

September 25, 2024

CRAIG COUNTY RURAL WATER DISTRICT NO. 2
SCHEDULE OF AUDIT RESULTS
JUNE 30, 2024

Findings – Financial Statement Audit

No reportable findings were observed for the 2023-24 fiscal year.

CRAIG COUNTY RURAL WATER DISTRICT NO. 2 VINITA, OKLAHOMA 74301

Management's Discussion and Analysis

The discussion and analysis of the Craig County Rural Water District No. 2 financial statements provides an overview of the Water Districts financial activities for the fiscal year ending June 30, 2024. Management has prepared the financial statements and the related disclosures along with the discussion and analysis.

Financial Highlights

The Water Districts financial position as a whole improved during the fiscal year ending June 30, 2024.

Overview of the Financial Statements and Financial Analysis

This report consists of Management's Discussion and Analysis, the Independent Auditor's Report, Statement of Net Position, Statement of Activities, Statement of Cash Flows, Notes to the Financial Statements, Supplementary Information, and the Independent Auditors Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

These statements provide both long-term and short-term financial information on the Water District as a whole.

Balance Sheets, Statements of Operations, and Statements of Changes in Net Assets

The Statement of Net Position and Statement of Activities report the Water District's net position and how they have changed. Net position, the difference between assets and liabilities, are one way to measure the Water District's financial position. Over time, increases or decreases in the Water District's net position are an indicator of whether its financial position is improving or declining. Non-financial factors are important to consider as well, including community trends, number of new customers, and trends in national and state water policies.

The attached statements include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting used by private-sector entities. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. For the year ending June 30, 2024, Total Assets were \$1,842,100 and Total Liabilities were \$66,813. Operating Revenues of \$1,607,384 exceeded Operating Expenses of \$1,449,522 resulting in an Operating Income of \$157,862. The total of Operating Income and Net Non-operating Income and Expenses of \$172,711 resulted in an increase in Net Assets from \$1,602,576 to \$1,775,287.

OVERVIEW OF WATER DISTRICT SYSTEM

General Information

1. 1862 active customers mostly in Craig County, but also in Mayes, Rogers and Nowata Counties. Our growth this past year increased by 20 customers
2. 462 miles of water line ranging in size from 1" to 12" (Diameter).
3. 529 valves.
4. 6 water towers
5. 5 pump stations, all with variable frequency drive pumps.
6. 6 Employees: 4 employees have Class D Water licenses and 1 with a class C. We have 1 employee who needs a Class D Water license.
7. Water usage averaged 14,787,699 gallons per month. Last year's average was 15,571,024 gallons per month. This is a decrease in customers' monthly usage of 783,325 gallons.
8. Water is purchased from Vinita Utilities Authority & Ketchum Public Works Authority.
9. Water source is Grand Lake.
10. We do all our own maintenance and repair and install all new and replacement lines.

GOALS

1. Provide adequate water pressure to all customers.
 - A. Oklahoma Department of Environmental Quality requires that there be a minimum of 25 PSI at the meter.
 - B. To properly serve a customer there should be between 40 and 60 PSI at the meter.
2. Provide adequate water volume to all customers.
 - A. Oklahoma Department of Environmental Quality requires that the volume of water available at the meter should be enough to ensure that the water pressure does not drop below 25 PSI under all conditions of flow.
 - B. To serve a customer properly the pressure should not drop more than 10 to 15 PSI when in full usage. The pressure should never drop below 25 PSI.
3. Water Quality – Chlorine Residual
 - A. Oklahoma Department of Environmental Quality states that “All systems required to disinfect, including all surface water treatment plants and most groundwater systems, must provide a minimum free chlorine residual of 1.0 mg/L in the water entering the distribution system. There must also be a minimum of 0.2 mg/L of free chlorine residual maintained throughout the distribution system. For this reason, it may be necessary to leave the plant with much higher chlorine residual or to provide supplemental points of chlorination in the distribution system.”
4. Secondary source of water.
 - A. Oklahoma Department of Environmental Quality and the Department of Homeland Security highly recommend that all Water Districts have a backup source of water.

CURRENT STATUS OF CRAIG COUNTY RURAL WATER DISTRICT NO. 2

1. Water Pressure
 - A. Most customers have at least 40 PSI of pressure.
2. Water Volume
 - A. All customers have enough volume available so they do not see a significant drop in pressure during high usage periods.

CURRENT STATUS OF CRAIG COUNTY RURAL WATER DISTRICT NO. 2

3. Water Quality – Chlorine Residual

- A. The chlorine residual tests that we perform three days per week (Monday, Wednesday and Friday) are above the .20 mg/L required by the Oklahoma Department of Environmental Quality. In some areas where we have dead-end lines, we flush these lines to help maintain acceptable chlorine residual.
- B. We have tested 20 sites in our System for Lead and Copper levels. We passed at all sites and had no measurable Lead in any samples and all Copper levels were nonexistent or insignificant. They will advise us when they want us to do these tests again in the future.
- C. We are in Compliance with the tests that we have to take for TTHMS and HAA5's which are by-products caused by Chlorine reacting with Algae in the water. We have to take these tests for the Oklahoma Department of Environmental Quality every 3 months.

4. Secondary source of water.

- A. At the present time we have a second source of water for the Southeast portion of our Water District. We are obtaining 25% of our water from Ketchum Public Works Authority. The southeast area can now be serviced by water from the City of Vinita Utilities Authority or Ketchum Public Works Authority. Both of these plants obtain their water from Grand Lake.
- B. We are actively working to expand this service to the rest of the Water District as described later in this report.

FUTURE PLANS

WATER LOSS:

The Water District's first priority will continue to be locating and repairing water leaks. We appreciate the efforts of the employees and the members of the Water District in helping us locate leaks. We have many miles of glue joint lines that are the cause of 98% of our leaks. During the past fiscal year, we have located and repaired over 85 leaks with most of them being the result of a joint failure on a glue joint line. We are seeing a significant increase in the leaks of joints on the 5" lines in the System. These 5" lines are old and some of the first gasket type lines made and are not as good as the new gasket lines. We have about 18 miles of 5" line in the System and will be looking at ways to replace these lines. As our System gets older, we will continue to work at keep our water loss as low as possible.

FUTURE PLANS

COMPLETE DISTRIBUTION SYSTEM:

We have a Master Plan for connecting all of our water system together, so we can obtain water at any point in the system and distribute it throughout the entire system. In the past we have taken water from the Vinita Utility Authority System at 9 different locations in order to provide water to all our customers. At the current time we only need to obtain water from 4 locations on the Vinita Utility Authority System. The plan is to complete our system so that we can distribute water to all our customers without using Vinita Utility Authority's distribution system. This is a necessary step so that we can also distribute water from a second source to all our customers.

PAST YEARS PROJECTS:

We have an ongoing project to replace all the glue joint lines in the System. We started with the areas where we are repairing the most leaks. These lines are old and the glue joints are getting worse and creating more leaks. In order to control our water loss, we have determined that it would be best to replace these lines. We will continue to replace the lines where we are having the most problems.

We are now getting GPS Coordinates on all leak repairs and are able to show them on a District Map making it easier to determine where the greatest numbers of problems are occurring.

We have divided the Water District into Zones and have installed inline water meters going into each of these zones. We can now tell how much water is going into each area and how much water is being used by the customers in the area. This is helping us identify where are biggest water loss problems are, so we can concentrate our efforts in the areas that have the highest loss. We read these meters weekly and calculate the gallons per minute that flow through each area. We compare this with the previous weeks and this gives us a idea of where we probably have leaks.

COMMUNICATION SYSTEM BETWEEN PUMP STATIONS, TOWERS & OFFICE:

We continue work on a system that allows us to monitor the status of our Pump Stations and Water Towers. The Junction Internet Service now has high-speed wireless Internet antennas on all our water towers. We continue to work with the Junction Internet Service and their associated company Positronix Technology. We are now able to see the water levels in all of our towers at any time day or night on our Smart Phones. The System also sends us regular updates three times per day and also sends warning messages if the towers drop below certain levels. We can inquire as to the status of any tower or all towers any time of day or night. The 5 Pump Stations are all on this System. We can also see how many gallons of water per minute are going through the Pump Stations. All this type of information is available on the Office Computers and on the Employees Smart Phones. This is a big help to us in monitoring the system and helps us find problems without having to drive to the towers and pump stations.

FUTURE PLANS

MAPPING SYSTEM:

We are utilizing a new mapping system called Diamond Maps. This system is a very useful tool for the guys in the field as they can make necessary changes to the map and they can attach photos of work performed on leaks or meter sets. We use this system to generate work orders for the guys in the field and the work orders are available on the mapping page or by email. We also have the GPS locations of all meters and keep this information in a mapping system that our engineer, Water PAQ Engineering, Inc., uses to keep our hydraulic system current. This system helps us in determining where we can add new customers and aids us in identifying areas where we have potential pressure and volume problems. We use this system to determine where problems exist and analyze what will happen to an area if we add more customers. We continue to update this system as we make changes to our system. We are also adding the GPS locations of all leak repairs and the GPS locations of all valves in the system.

WATER TOWER REHABILITATION:

The district has begun a five-year plan to repaint and refurbish the water towers. This will be done in the fall of each year and will take about 35 days to complete each tower. We completed three (3) towers so far. Tower 16 in the big cabin/white oak area, Tower 10 (Shanahan hill) northwest of Vinita, and Tower 9 (Bunker Hill) west of Vinita on Hwy 60. The next tower on the list to be repainted will be Tower 12, the Centralia water tower.

PUMP STATIONS AND WATER TOWER:

The district is looking into upgrading the outdated Supervisory Control and Data Acquisition (SCADA) System and having backup generators at all 5 pump station locations.

ON-LINE BILL PAY:

Customers can now pay their bill on-line through the water districts website. Customers can also sign up to receive our news, projects and alerts via email or text message.

SOCIAL MEDIA PLATFORM:

The district has a Facebook account that gets updated on a regular basis, like and follow the page for updates on-line breaks, water outages, etc.

CRAIG COUNTY RURAL WATER DISTRICT NO. 2
STATEMENT OF NET POSITION
FOR YEAR ENDED JUNE 30, 2024

Assets:

Current assets:

Cash and cash equivalents	\$ 558,601
Inventory	175,995
Deposits	175
Prepaid insurance	28,427
Accounts receivable	100,298
Less allowance for doubtful account	(6,002)
Total current assets	<u>857,494</u>

Capital assets:

Water System and Equipment	3,308,498
Less accumulated depreciation	(2,323,892)
Total capital assets	<u>984,606</u>

Total assets	<u><u>1,842,100</u></u>
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Liabilities:

Current liabilities:

Customer deposits	25,700
Current maturities of long-term debt	15,730
Total current liabilities	<u>41,430</u>

Noncurrent liabilities

Long-Term Debt, less current maturities	<u>25,383</u>
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Total Liabilities	<u>66,813</u>
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Net position:

Invested in capital assets, net of related debt	943,493
Unrestricted	831,794
Total net position	<u>1,775,287</u>

Total liabilities and net position	<u><u>\$ 1,842,100</u></u>
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The accompanying notes are an integral part of the financial statement

CRAIG COUNTY RURAL WATER DISTRICT NO. 2
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2024

Operating revenues:

Charges for services	\$ 1,576,858
Miscellaneous	4,106
Reimbursements	26,420
Total operating revenues	<u>1,607,384</u>

Operating expenses:

Water Purchased	451,862
Salaries & payroll taxes	377,828
Depreciation	73,507
Parts & supplies	120,468
Utilities	49,132
Insurance	85,608
Repairs & maintenance	148,727
Travel reimbursements	27,072
Engineering	26,498
Office Expense	39,760
Miscellaneous	20,539
Telephone	10,302
Legal	6,044
Accounting	3,200
Water testing	8,975
Total operating expenses	<u>1,449,522</u>

Operating income (loss)	157,862
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Other income and expense:

Interest income	16,353
Interest expense	(1,504)
Total other income (expenses)	<u>14,849</u>

Net income (loss)	172,711
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Net position, beginning of period	<u>1,602,576</u>
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Net position, end of period	<u><u>\$ 1,775,287</u></u>
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The accompanying notes are an integral part of the financial statement

CRAIG COUNTY RURAL WATER DISTRICT NO. 2
STATEMENT OF CASH FLOWS
FOR YEAR ENDED JUNE 30, 2024

Cash Flows from Operating Activities:

Receipts from customers	\$ 1,611,052
Payments to employees	(377,828)
Payments to vendors	(1,039,376)
Net cash flows from operating activities	<u>193,848</u>

Cash Flows from Investing Activities:

Interest earned	16,353
Capital assets purchased, net	(123,812)
Net cash flows from investing activities	<u>(107,459)</u>

Cash Flows from Financing Activities:

Interest expense on debt	(1,504)
Principal payments on long-term debt	(15,256)
Net cash flows from financing activities	<u>(16,760)</u>

Net increase (decrease) in cash and cash equivalents 69,629

Cash and cash equivalents, beginning of period 488,972

Cash and cash equivalents, end of period \$ 558,601

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income (loss)	\$ 157,862
Add depreciation expense, net	73,507
(Increase)/Decrease in Current Assets	
Accounts receivable, net	3,668
Inventory	(40,115)
Prepaid Insurance	(1,074)
Net cash flows from operating activities	<u><u>\$ 193,848</u></u>

The accompanying notes are an integral part of the financial statements

CRAIG COUNTY RURAL WATER DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2024

Note 1 – Organization

Craig County Rural Water District No. 2, Vinita, Oklahoma, was originally an Oklahoma nonprofit corporation, incorporated in 1968. Currently the district is recognized as a public not for profit rural water district under Oklahoma Statutes, Title 82. The purpose of the organization is to provide water to residential and commercial customers who are members of the District.

Note 2 – Summary of significant accounting policies

Reporting Entity

Craig County Rural Water District No. 2 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 of providing water services is financed through user charges. The District purchases water primarily from the cities of Vinita and Ketchum.

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 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 balance sheet. The operating statements present increases and decreases 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.

Accounts Receivable

All accounts greater than thirty days are considered past due. Receivables greater than ninety days are carried at the original billed amount.

Accounts written off when the water usage is not in dispute or which the District feels it can collect if legal action is pursued, are classified as bad debts. Accounts written off when the water usage is in dispute and the District does not believe legal action would result in collection due to a weak position are removed from sales and not classified as bad debts. An *Allowance For Bad Debts*, account (reserve) is utilized to record the management estimate of accounts, which are not collectible or collection is in substantial doubt at year-end.

CRAIG COUNTY RURAL WATER DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2024

Inventory

Inventory is recorded and valued using the FIFO method of costing. Materials associated with the installation and repair of water system lines on hand at the end of the year are reflected in inventory.

Property and Equipment

Property and equipment is recorded at cost when purchased. Depreciation expense is recorded using the straight-line method over the estimated useful life of the asset. Water line extensions and improvements are depreciated using a 20-year life. Water system improvements constructed by the District include capitalizing the direct cost of materials and labor. If an asset is permanently impaired in value, the asset cost is written down to market value. The District capitalizes assets with a useful life in excess of one year with a cost of \$250 or more. Line extension costs reimbursed by the customer are not capitalized and accordingly not depreciated.

Cash and Cash Equivalents

Cash and cash equivalents, shown in the financial statements, are amounts that are not subject to fluctuations in principal value due to changing market conditions and have a maturity of less than three months.

Custodial Credit Risk

At June 30, 2024, the District held deposits of approximately \$634,815 at financial institutions. Of these deposits, all were covered by Federal Depository Insurance.

Note 3 – Water Purchase Commitment

The District purchases its water from the City of Vinita and Ketchum Public Works Authority. The current contract with City of Vinita for water purchase is dated in 1968. The contract provides the City is not obligated to provide more than four million gallons per month. For the year ended June 30, 2024, the District's average purchase per month was approximately 14,787,699 gallons from City of Vinita and Ketchum Public Works Authority combined.

CRAIG COUNTY RURAL WATER DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2024

Note 4 – Long-Term Debt

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2024:

Balance 6/30/23	\$ 56,370
Additions	-
Retirements	<u>(15,257)</u>
Balance 6/30/24	<u>\$ 41,113</u>

Long-term debt at June 30, 2024, is detailed as follows:

Lease-Purchase Agreement, dated September 14, 2021 for \$77,750 payable to Caterpillar Financial Services Corp., 2.99% interest, monthly payments of \$1,396.70 beginning February, 2022, final payment in January, 2027.	<u>\$ 41,113</u>
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The annual debt service requirements for the retirement of principal and interest payments are as follows:

Year ending June 30	Principal	Interest	Total
2025	\$15,730	1,029	16,759
2026	16,207	553	16,760
2027	<u>9,176</u>	<u>97</u>	<u>9,273</u>
Total	<u>\$41,113</u>	<u>1,679</u>	<u>42,792</u>

Note 5 – Risk Management

Craig County Rural Water District No. 2 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 continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public official liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

CRAIG COUNTY RURAL WATER DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2024

Note 6 – Capital Assets

The following is a summary of changes in property, plant and equipment:

	Balance <u>6/30/2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2024</u>
Water System & Equipment	\$3,202,685	123,812	(17,999)	3,308,498
Less accumulated depreciation	<u>(2,268,384)</u>	<u>(73,507)</u>	<u>17,999</u>	<u>(2,323,892)</u>
Net	<u>\$ 934,301</u>	<u>50,305</u>	<u>-</u>	<u>984,606</u>

Note 7 – Subsequent Events

Management has evaluated subsequent events through the date of the audit report, 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.