

**Logan County Rural Water District No. 2  
Crescent, Oklahoma**

Financial Statements and  
Reports of Independent Auditor

July 31, 2024

Audited by

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

Broken Arrow, Oklahoma

**Logan County Rural Water District No. 2  
Crescent, Oklahoma**

Board of Directors

July 31, 2024

**Chairman**

Diane Frick

**Vice Chairman**

Robert Carey

**Secretary / Treasurer**

Mark LeMarr

**Members**

Brenda Jindra

S.R. Hunter

Leigh Britton

Thomas Trello

**System Manager**

Cody Bengé

**Operator**

Donnie Emery

**Office Manager / Bookkeeper**

Heather Pierson

**Office Assistant**

Kathy Terry

1701 N. Hwy 74  
Crescent, Oklahoma 73028  
(405) 969-2646

**Logan County Rural Water District No. 2**  
**Crescent, Oklahoma**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Logan County Rural Water District No. 2  
Crescent, 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 Logan County Rural Water District No. 2, Crescent, Oklahoma (the District), as of and for the year ended July 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.

### ***Opinion***

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

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the

financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The prior year “memorandum only” comparative information and the supplementary information on page 19 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 September 6, 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

September 6, 2024

## **LOGAN COUNTY RURAL WATER DISTRICT NO. 2**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JULY 31, 2024**

Our discussion and analysis of Logan County Rural Water District No. 2's financial performance provides an overview of the District's financial activities for the fiscal year ended July 31, 2024. Please read it in conjunction with the District's financial statements that begin on page 11.

#### **FINANCIAL HIGHLIGHTS**

- The District's operating revenue exceeded operating expenses by \$364,876 in the 2023-24 fiscal year, an increase of \$219,697 over the prior year.
- Overall, the District's cash and cash equivalents increased by \$219,542 in the 2023-24 fiscal year, primarily due to district growth, ODOT funding of the Highway 33 line extension project and overall decreased operating expenditures.
- The District paid off their 2017 lease-purchase agreement with Government Capital Corporation for meters during the 2023-24 fiscal year.
- The District continued to pay on their \$920,000 OWRB Note for water system improvements. Additionally, the District continued to pay on their \$490,000 promissory note that was issued with Community State Bank for a new water tower.
- The District's membership increased from 556 to 634 members at the end of the fiscal year.

#### **Using This Report**

This report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's basis of accounting.

#### **Basis of Accounting**

The District has elected to present its financial statements in the accrual basis of accounting. According to the accrual basis, revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

## **The Financial Statements**

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows report information about the District and about its activities in a way that helps answer this question.

These three statements report the District's net position and the changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in water rates paid or charged and the condition of the District's water system, to assess the overall health of the District.

The District has only one type of fund or activity, which is defined as *Business-type activities*. This is considered a proprietary fund. This means the District charges a fee to customers to help it cover all or most of the cost of certain services it provides.

## **Net Position, and Changes in Net Position**

The District's Net Position was higher in 2023-24, increasing from \$1,982,335 to \$2,768,852. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District's business-type activities.

**Table 1 – Net Position:**

	<u>2023-24</u>	<u>2022-23</u>	<u>Variances</u>
Current and other assets	\$ 962,333	693,998	268,335
Capital assets, net	<u>2,453,349</u>	<u>2,007,602</u>	<u>445,747</u>
Total Assets	<u><u>\$ 3,415,682</u></u>	<u><u>2,701,600</u></u>	<u><u>714,082</u></u>
Current liabilities	\$ 74,888	85,350	10,462
Long-term liabilities	<u>571,942</u>	<u>633,914</u>	<u>61,972</u>
Total Liabilities	<u><u>\$ 646,830</u></u>	<u><u>719,264</u></u>	<u><u>72,434</u></u>
Invest. In capital assets	\$ 1,819,644	1,297,285	522,359
Unrestricted	<u>949,208</u>	<u>685,051</u>	<u>264,157</u>
Total Net Position	<u><u>\$ 2,768,852</u></u>	<u><u>1,982,336</u></u>	<u><u>786,516</u></u>



Net Position of the District increased by 39.68 percent (\$2,768,852 compared to \$1,982,336). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$685,051 to \$949,208.

**Table 2 – Changes in Net Position:**

	<u>2023-24</u>	<u>2022-23</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 931,986	758,769	173,217
ODOT funding	427,745	0	427,745
Interest	10,872	1,030	9,842
Total Revenues	<u>1,370,603</u>	<u>759,799</u>	<u>610,804</u>
Expenses:			
Salaries, taxes and benefits	228,222	226,680	(1,542)
Maintenance, repairs & supplies	91,882	107,276	15,394
Chemicals & testing	40,195	54,153	13,958
Other expenses	115,970	133,899	17,929
Depreciation	90,841	91,582	741
Interest on debt	16,977	19,671	2,694
Total Expenses	<u>584,087</u>	<u>633,261</u>	<u>49,174</u>
Changes in Net Position	786,516	126,538	659,978
Net Position, Beginning	<u>1,982,336</u>	<u>1,855,798</u>	<u>126,538</u>
Net Position, Ending	<u>\$ 2,768,852</u>	<u>1,982,336</u>	<u>786,516</u>

The District's total revenues increased by 80.39 percent (\$610,804), mainly due to ODOT funding. The total cost of all expenses decreased by 7.77 percent (\$49,174).

### **Capital Assets**

At July 31, 2024, the District had \$1,819,644 invested in capital assets, net of depreciation, including land, the water system, equipment, leases and rights. The District added \$536,588 in additional capital assets in 2023-24, which consisted of construction costs for the Highway 33 line extension project, new meters and a new HVAC unit.

### **Long-Term Debt**

The District continued to make payments on the \$920,000 OWRB loan. Current monthly payments are \$3,094.72, with accumulated semi-annual payments being made in March and September each year. The outstanding loan balance at July 31, 2024 was \$214,434.

In fiscal year 2021-22, the District entered into a promissory note with Community State Bank for \$490,000 to help finance the new water tower. The note calls for monthly payments of \$3,334.67 starting January 16, 2022. Any unpaid balance as of December 16, 2026 will be paid in full on this date. The outstanding note balance at July 31, 2024 was \$419,272.

The District obtained a lease-purchase agreement for radio read meters in fiscal year 2017-18, in the amount of \$105,469. The District paid off this lease-purchase during the 2023-24 fiscal year.

### **Economic Factors and Next Year's Budget and Rates**

For the upcoming fiscal year ending July 31, 2025, the District's budget is fairly consistent with prior years.

As the current economic conditions continue and expenses continue to increase, additional rate increases may become necessary.

### **Contacting the District's Management**

This report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at 1701 N. Hwy 74, Crescent, OK 73028 or call (405) 969-2646.



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

Board of Directors  
Logan County Rural Water District No. 2  
Crescent, 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 Logan County Rural Water District No. 2, Crescent, Oklahoma (the District), as of and for the year ended July 31, 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 6, 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 District's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did identify one deficiency in internal controls that is identified as item 24-1 in the accompanying Schedule of Audit Results. We do not consider item 24-1 to be a material weakness; however, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 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.

*Bledsoe, Hewett & Gullekson*

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

September 6, 2024

**LOGAN COUNTY RURAL WATER DISTRICT NO. 2**  
**Crescent, Oklahoma**  
**Schedule of Audit Results**  
**July 31, 2024**

**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 not considered to be a material weakness.
3. The audit disclosed no instances of noncompliance.

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

**24-1 – Lack of Segregation of Duties**

**Condition -**

The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting functions, which is necessary in order to assure adequate internal accounting controls.

**Criteria -**

An organization should ensure that there is a proper segregation of duties regarding cash collections and the payment of expenses.

**Cause -**

The District is not large enough to justify the hiring of additional personnel.

**Effect -**

There is always the possibility that not all collections are actually receipted or deposited, and the possibility that funds expended are not used for actual District obligations.

**Recommendation -**

The current procedures should not be changed. However, there should be additional personnel instilled into the collection, receipt, deposit, reconciliation and payment procedures when this becomes economically possible.

**Response -**

Additional personnel will be hired when the actual funds are available.

**LOGAN COUNTY RURAL WATER DISTRICT NO. 2**  
**Statement of Net Position**  
**July 31, 2024**

	<u>July 31, 2024</u>	<u>-Memorandum- -Only- July 31, 2023</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash in bank	\$ 645,493	\$ 450,134
Investments	202,239	178,056
Receivables	92,283	44,446
Prepaid insurance	22,318	21,362
Total current assets	<u>962,333</u>	<u>693,998</u>
Capital assets:		
Water system and improvements	4,031,087	3,494,499
Less: accumulated depreciation	<u>(1,577,738)</u>	<u>(1,486,897)</u>
Total capital assets	<u>2,453,349</u>	<u>2,007,602</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,415,682</u></b>	<b><u>\$ 2,701,600</u></b>
 <b><u>LIABILITIES</u></b>		
Current liabilities:		
Accounts payable	\$ 12,353	\$ 8,049
Accrued interest	772	898
Current maturities of long-term debt	61,763	76,403
Total current liabilities	<u>74,888</u>	<u>85,350</u>
Long-term debt:		
Capital lease payable, less current maturities	0	16,469
Notes payable, less current maturities	571,942	617,445
Total long-term liabilities	<u>571,942</u>	<u>633,914</u>
Total Liabilities	<u>646,830</u>	<u>719,264</u>
 <b><u>NET POSITION</u></b>		
Net investment in capital assets	1,819,644	1,297,285
Unrestricted	<u>949,208</u>	<u>685,051</u>
Total Net Position	<u>2,768,852</u>	<u>1,982,336</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 3,415,682</u></b>	<b><u>\$ 2,701,600</u></b>

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

**LOGAN COUNTY RURAL WATER DISTRICT NO. 2**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For The Year Ended July 31, 2024**

	<u>2023-24</u>	<u>-Memorandum- -Only- 2022-23</u>
Operating Revenues:		
Water sales	\$ 743,086	\$ 681,233
Benefit units	84,850	42,000
Transfer / reconnect / impact fees	87,902	21,847
AtLink revenue	15,000	13,470
Reimbursements	1,148	219
Total revenues from operations	<u>931,986</u>	<u>758,769</u>
Operating Expenses:		
Chemicals	35,756	46,059
Dues and licenses	3,448	3,211
Insurance	26,312	19,408
Maintenance and repairs	13,678	39,500
Miscellaneous	6,212	10,235
Postage	6,217	4,016
Professional fees	12,041	18,450
Office supplies	2,529	1,849
Salaries and taxes	228,222	226,680
Supplies	78,204	67,776
Telephone	3,284	2,090
Testing fees	4,439	8,094
Vehicle, travel and mileage	19,681	26,462
Depreciation / amortization	90,841	91,582
Utilities	36,246	48,178
Total expenses from operations	<u>567,110</u>	<u>613,590</u>
Operating Income (Loss)	364,876	145,179
Nonoperating Revenues (Expenses):		
Interest income	10,872	1,030
ODOT funding	427,745	0
Interest paid on debt	(16,977)	(19,671)
Total nonoperating revenues (expenses)	<u>421,640</u>	<u>(18,641)</u>
Change in Net Position	786,516	126,538
Total Net Position, beginning of period	<u>1,982,336</u>	<u>1,855,798</u>
Total Net Position, end of period	<u><u>\$ 2,768,852</u></u>	<u><u>\$ 1,982,336</u></u>

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

**LOGAN COUNTY RURAL WATER DISTRICT NO. 2**  
**Statement of Cash Flows**  
**For the Year Ended July 31, 2024**

	2023-24	-Memorandum- -Only- 2022-23
Cash flows from operating activities:		
Receipts from customers	\$ 884,148	\$ 784,339
Payments to employees	(228,222)	(226,680)
Payments to vendors	(244,698)	(319,969)
Net cash provided (used) by operating activities	<u>411,228</u>	<u>237,690</u>
Cash flows from capital and related financing activities:		
ODOT Funding	427,745	0
Capital assets additions	(536,588)	(252,208)
Principal paid on debt	(76,738)	(74,212)
Interest paid on debt	(16,977)	(19,744)
Net cash provided (used) by capital and related financing activities	<u>(202,558)</u>	<u>(346,164)</u>
Cash flows from investing activities:		
Interest income	<u>10,872</u>	<u>1,030</u>
Net increase (decrease) in cash and cash equivalents	219,542	(107,444)
Cash & cash equivalents, beginning of period	<u>628,190</u>	<u>735,634</u>
<b>Cash &amp; cash equivalents, end of period</b>	<b><u>\$ 847,732</u></b>	<b><u>\$ 628,190</u></b>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income	\$ 364,876	\$ 145,179
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation / Amortization expense	90,841	91,582
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(47,838)	25,570
(Increase) decrease in prepaid insurance	(956)	(4,516)
Increase (decrease) in accounts payable	4,305	(20,125)
Net Cash Provided by Operating Activities	<b><u>\$ 411,228</u></b>	<b><u>\$ 237,690</u></b>

The accompanying notes are an integral part of the financial statements



**LOGAN COUNTY RURAL WATER DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED JULY 31, 2024**

**Note 1 – Significant Accounting Policies**

Logan County Rural Water District No. 2 (the “District”) was created under the provisions of Title 82, Oklahoma Statutes, Sections 1324.1-1324.26 inclusive, for the purpose of providing water to the members of the District it serves. Membership in the water district consists of water users who have paid the required membership and connection fees. The District is exempt from federal and state income taxes.

The membership consists of approximately 634 users, each entitled to one vote. The Board consists of seven members. The vacant Board seats are elected at the annual meeting and all officers of the Board (chairman, vice-chairman and secretary/treasurer) are voted and approved at this meeting. The members of the Board serve without compensation.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and expenses are recognized when incurred. This policy is in accordance with Generally Accepted Accounting Principles (GAAP).

Cash

The District’s accounts at July 31, 2024 are comprised as follows:

Community State Bank, Hennessey, OK	
Operating & Maintenance Checking	\$ 548,351
Community State Bank, Hennessey, OK	
Operating & Maintenance Hi-Fi	98,495
Deposits in Transit	730
Outstanding checks	<u>(2,083)</u>
Total Cash	<u>\$ 645,493</u>

Investments

The District had the following investments at July 31, 2024:

Prism Bank, Guthrie, OK-	
Certif. of Deposit No. 3201800101 (depreciation)	\$ 101,119.39
Certif. of Deposit No. 3201800201 (emergency)	<u>101,119.39</u>
Total	<u>\$ 202,338.78</u>

**LOGAN COUNTY RURAL WATER DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED JULY 31, 2024**

**Note 1 – Significant Accounting Policies – cont’d**

**Deposits and Investments**

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers’ acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Bank deposits are held at several financial institutions and are carried at cost. For purposes of statements of cash flows, the District considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

*Custodial Credit Risk* - At July 31, 2024, the District held deposits of approximately \$849,185 at financial institutions. The District’s cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depositary Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District’s name.

*Investment Interest Rate Risk* - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Investment Credit Risk* - The District has no policy that limits its investment choices other than the limitations of state law, as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

**LOGAN COUNTY RURAL WATER DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED JULY 31, 2024**

**Note 1 – Significant Accounting Policies – cont'd**

- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a-d).

*Fair Value of Financial Instruments* – The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair values because of the short maturity of these instruments.

**Capital Assets**

Capital (fixed) assets are valued at cost, and depreciation is computed by use of the straight-line method. The estimated useful life of these assets range from five to 40 years. Included in these assets are the leases, rights and organization expenses of the District, which are being amortized over a 40 year period. Capital asset information for the 2023-24 fiscal year is as follows:

	Balance at Aug. 1, 2023	Additions	Deductions	Balance at July 31, 2024
Capital assets not being depreciated:				
Land	\$ 22,500			22,500
Other capital assets:				
Water distribution system	2,597,894	528,588		3,126,482
Copper plant	365,623			365,623
Buildings and equipment	351,853	8,000		359,853
Leases, rights and organization expenses	156,629			156,629
Total depreciated capital assets	3,471,999	536,588		4,008,587
Total capital assets at historical costs	3,494,499	536,588		4,031,087
Less accumulated depreciation for:				
Water distribution system	1,166,899	61,383		1,228,282
Buildings and equipment	212,926	25,851		238,777
Leases, rights and organization expenses	107,072	3,607		110,679
Total accumulated depreciation	1,486,897	90,841		1,577,738
Capital assets, net	\$ 2,007,602	445,747		2,453,349

**LOGAN COUNTY RURAL WATER DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED JULY 31, 2024**

**Note 1 – Significant Accounting Policies – cont'd**

Accounts Receivable

Billings for accounts receivable at July 31, 2024 were \$92,283. No computation was made for allowance for doubtful accounts, which is not considered to be material to the financial statements.

Inventories

The District does not include an inventory amount on its financial statements. All items purchased for inventory are expensed immediately.

Federal Income Tax

The District is exempt from federal and state income taxes.

**Note 2 – Accumulated Unpaid Vacation and Sick Pay**

At July 31, 2024, no determination of the aggregate dollar value of vacation and sick pay had been made.

**Note 3 – Long-Term Debt**

In September 2009, the District was awarded a loan with the Oklahoma Water Resources Board in the amount of \$920,000. Of this amount, \$239,321 of principal was forgiven, made possible by the American Recovery and Reinvestment Act of 2009. That amount of forgiveness will be classified as contributed capital. The current interest rate for this loan is 3.02 percent, payable over 20 years. The local trustee for the loan is BancFirst, Oklahoma City, Oklahoma. A debt service fund will be used to pay bi-yearly principal payments of \$18,568. A debt service reserve fund will be used to retain a percentage of the loan amount.

The first principal payment was made August 27, 2010. As of July 31, 2024, the outstanding principal balance on the loan was \$214,434.

**LOGAN COUNTY RURAL WATER DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED JULY 31, 2024**

**Note 3 – Long-Term Debt – cont’d**

The District has a promissory note in the amount of \$490,020 with Community State Bank, Cashion OK, dated December 16, 2021, for a period of 30 years. The current interest rate on this note is 2.75%. The proceeds were used to finance the construction of a new water tower. The water system and future water revenues are used as security for this note. As of July 31, 2024, the outstanding principal balance on the loan was \$419,272.

The amounts of principal and interest to be paid in future fiscal years (based upon current interest rates) are as follows:

Year Ended July 31,	Principal	Interest	Total
2025	\$ 61,763	15,390	77,153
2026	63,594	13,559	77,153
2027	396,253	6,149	402,402
2028	36,231	524	36,755
2029-31	75,865	485	76,350
	\$ 633,706	36,107	669,813

The District entered into a lease-purchase agreement in August 2017, in the amount of \$105,469, for 500 radio read meters. This debt is considered long-term debt on the financial statements. A principal and interest payment of \$16,804 is to be made every August on this note, which is to be paid off on August 1, 2024. This lease-purchase agreement was paid off during the 2023-24 fiscal year.

**Note 4 – Subsequent Events**

Management has evaluated subsequent events through September 6, 2024, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

**LOGAN COUNTY RURAL DISTRICT NO. 2**  
**Schedule of Water Rates and Customers**  
**-Unaudited Information-**  
**June 31, 2024**

**Water Rates:**

0 – 1,000 gallons	=	\$21.66
1,001 – 2,000 gallons	=	\$6.99 per 1,000 gallons
2,001 – 3,000 gallons	=	\$7.48 per 1,000 gallons
3,001 – 4,000 gallons	=	\$7.91 per 1,000 gallons
4,001 – 5,000 gallons	=	\$8.38 per 1,000 gallons
5,001 – 9,000 gallons	=	\$9.09 per 1,000 gallons
Over 9,000 gallons	=	\$9.79 per 1,000 gallons

**Customers:**

The District had 634 customers at the close of the fiscal year.

Current membership fee is \$1,500.