

Muskogee County Rural Water District No. 2
Muskogee, Oklahoma

Financial Statements and
Reports of Independent Auditor

For The Year Ended December 31, 2024

Audited by

BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

BROKEN ARROW, OK

Muskogee County Rural Water District No. 2
Muskogee, Oklahoma

Board of Directors and Employees
December 31, 2024

Chairman

Richard Naus

Vice Chairman

Jeff Case

Secretary / Treasurer

Jeff Mann

Members

Samantha Henderson

Sarah Cunnius

Superintendent

Taylor Schneidewent

Office Manager

Melissa Young

Operator

Dennis Bohnstead

Muskogee County Rural Water District No. 2
Muskogee, Oklahoma

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December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Muskogee County Rural Water District No. 2
Muskogee, Oklahoma

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Muskogee County Rural Water District No. 2, Muskogee, Oklahoma (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.

Opinion

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The supplementary information on page 22 are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

February 14, 2025

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2024

Our discussion and analysis of the financial performance of Muskogee County Rural Water District No. 2 provides an overview of the District's financial activities for the fiscal year ended December 31, 2024. Please read it in conjunction with the District's financial statements that begin on page 14.

FINANCIAL HIGHLIGHTS

- The District's total operating revenues exceeded total operating expenses by \$21,976.
- The District's cash and cash equivalents increased by \$2,029.
- The District earned \$2,256 in interest in 2024 compared to \$1,983 in 2023.
- The District's membership numbers stayed consistent in 2024, with approximately 477 members at year-end.
- The District purchased several assets that were capitalized during the fiscal year, including a trailer, hot water pressure washer, leak detector and mini excavator.
- The District received \$15,944 in Rural Infrastructure Grant (RIG) funds that partially funded the purchase of a trailer.
- The District continued to pay down their one outstanding lease-purchase for the backhoe.
- The District switched from a modified cash basis of accounting to an accrual basis of accounting in order to present a more accurate portrayal of the District's financial position.

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 2024, increasing from \$711,762 to \$747,562. 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:

	2024	2023	Variances
Current and other assets	\$ 289,901	242,291	47,610
Capital assets, net	575,517	551,901	23,616
Total Assets	<u>\$ 865,418</u>	<u>794,192</u>	<u>71,226</u>
Current liabilities	\$ 40,738	20,233	(20,505)
Long-term liabilities	77,118	95,784	18,666
Total Liabilities	<u>\$ 117,856</u>	<u>116,017</u>	<u>(1,839)</u>
Net Invest. In capital assets	\$ 498,399	456,117	42,282
Unrestricted	249,163	222,058	27,105
PY Adjustment to Net Position	-	33,497	(33,497)
Total Net Position	<u>\$ 747,562</u>	<u>711,672</u>	<u>35,890</u>

Net Position of the District increased by 5.04 percent (\$747,562 compared to \$711,672). 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 \$222,058 to \$249,163.

Table 2 – Changes in Net Position:

	<u>2024</u>	<u>2023</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 393,050	371,326	21,724
Revenue from Dist. Expansion (RWD#5)	0	20,000	(20,000)
RIG Grant proceeds	15,944	84,056	(68,112)
Interest	2,256	1,983	273
Miscellaneous	3,087	4,020	(933)
Total Revenues	<u>414,337</u>	<u>481,385</u>	<u>(67,048)</u>
Expenses:			
Water purchases	102,499	91,684	(10,815)
Salaries, taxes and benefits	119,267	112,189	(7,078)
Maintenance and repairs	44,326	51,220	6,894
Other expenses	41,060	53,943	12,883
Depreciation	67,009	58,616	(8,393)
Interest on debt	4,286	4,983	697
Total Expenses	<u>378,447</u>	<u>372,635</u>	<u>(5,812)</u>
Changes in Net Position	35,890	108,750	(72,860)
Net Position, Beginning	711,672	569,425	142,247
Prior Period Adjustment	<u>0</u>	<u>33,497</u>	<u>(33,497)</u>
Net Position, Ending	<u>\$ 747,562</u>	<u>711,672</u>	<u>35,890</u>

The District's total revenues decreased by 13.93 percent (\$67,048), primarily due to less grant proceeds received in fiscal year 2024. The total cost of all services (expenses) remained consistent in fiscal year 2024, with an increase of 1.56 percent (\$5,812).

Capital Assets

At December 31, 2024, the District had \$575,517 invested in capital assets, net of depreciation, including land, buildings, the water system, vehicles and equipment. The District added \$90,625 of capital assets in 2024, which included a trailer, hot water pressure washer, leak detector and mini excavator.

Long-Term Debt

The District has a lease-purchase agreement with Armstrong Bank for a backhoe that was purchased in fiscal year 2022. The total amount of the lease-purchase was for \$135,115. This lease purchase has an interest rate of 3.994% and scheduled monthly payments of \$1,850. The outstanding balance at year-end was \$95,784. See additional debt information on pages 21-22.

Economic Factors and Next Year's Budget and Rates

The District's budget for fiscal year 2025 will remain much like previous years budgets. The District will also continue to make further water system expansions and improvements as need and as funding is acquired.

The District may be forced to make further increases if additional increases are made by their water sources.

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 2310 S Woodland Rd, Muskogee, OK, or call 918-697-5988



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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
Muskogee County Rural Water District No. 2
Muskogee, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Muskogee County Rural Water District No. 2, Muskogee, Oklahoma (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 our report thereon dated February 14, 2025.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we identified one deficiency in internal control that we do not consider to be a material weakness. This finding is identified as item 2024-1 in the accompanying Schedule of Audit Results, Findings and Questioned Costs.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

February 14, 2025

Muskogee County Rural Water District No. 2
Muskogee, Oklahoma

Disposition of Prior Year's Significant Deficiencies and Material Instances of
Noncompliance
December 31, 2024

2023-1 Internal Control – Segregation of Duties

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

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

Disposition – This continues to be a finding.

Muskogee County Rural Water District No. 2
Muskogee, Oklahoma
Schedule of Audit Results, Findings and Questioned Costs
December 31, 2024

Section 1 – Summary of Auditor’s Results:

1. An unqualified 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 which were material to the financial statements.

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

2024-1 Internal Control – Segregation of Duties

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

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

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

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

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

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

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 2
MUSKOGEE, OKLAHOMA
STATEMENT OF NET POSITION
DECEMBER 31, 2024

ASSETS

Current Assets:

Cash and cash equivalents	\$ 244,320
Accounts receivable	42,463
Prepaid insurance	3,118
Total Current Assets	<u>289,901</u>

Capital Assets:

Land	17,719
Buildings	125,179
Water system	916,086
Equipment and vehicles	342,542
Office furniture and equipment	22,578
Total Capital Assets	<u>1,424,104</u>
Less: Accumulated depreciation	<u>(848,587)</u>
Total Capital Assets (net)	<u>575,517</u>

TOTAL ASSETS

\$ 865,418

LIABILITIES

Current Liabilities:

Accounts payable	19,589
Payroll taxes payable	2,483
Current maturities of long-term debt	18,666
Total Current Liabilities	<u>40,738</u>

Long-Term Liabilities:

Lease Purchase of Backhoe	<u>77,118</u>
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Total Liabilities

117,856

Net Position:

Net investment in capital assets	498,399
Unrestricted	249,163
Total Net Position	<u>747,562</u>

TOTAL LIABILITIES AND NET POSITION

\$ 865,418

The accompanying notes are an integral part of the financial statements

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 2
MUSKOGEE, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2024

Revenue from Operations:	
Water sales	\$ 372,878
Late charges	11,552
Reconnect fees	1,050
Returned check fees	420
Transfer fees	1,900
Installation fees	2,250
Benefit units	3,000
Miscellaneous	3,087
Total revenue from operations	<u>396,137</u>
Expenses from Operations:	
Water purchases	102,499
Wages and consulting services	93,997
Payroll taxes	5,186
Employee benefits	20,084
Utilities	7,833
Insurance	7,686
Depreciation	67,009
Office expenses	2,420
Plant expenses and repairs	44,326
Water testing	3,420
Telephone/Internet	2,281
Vehicle/Equipment expense	8,437
Postage	4,206
Audit fees	2,800
Dues & fees	1,143
Miscellaneous	834
Total expenses from water operations	<u>374,161</u>
Net Income (Loss) from Operations	21,976
Other Income:	
Interest income	2,256
Interest expense on debt	(4,286)
RIG grant proceeds	15,944
Total other income	<u>13,914</u>
Net Income (Loss)	35,890
Net Position, beginning of period	<u>711,672</u>
Net Position, end of period	<u><u>\$ 747,562</u></u>

The accompanying notes are an integral part of the financial statements

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 2
MUSKOGEE, OKLAHOMA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024

Cash Flows from Operating Activities:

Receipts from customers	\$ 391,582
Payments to employees	(89,349)
Payments to vendors	(205,579)
Net Cash Provided by Operating Activities	<u>96,654</u>

Cash Flows from Capital and Related Financing Activities:

Principal paid on debt	(17,914)
Interest paid on debt	(4,286)
Purchase of capital assets	(90,625)
RIG grant proceeds	15,944
Net cash provided by (used in) Capital and Related Financing Activities	<u>(96,881)</u>

Cash Flows from Investing Activities:

Interest earnings	<u>2,256</u>
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Net Increase (Decrease) in Cash and Equivalents 2,029

Cash and cash equivalents, beginning of period 242,291

Cash and cash equivalents, end of period \$ 244,320

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

Operating Income (loss)	\$ 21,976
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation Expense	67,009
(Increase) decrease in accounts receivable	(4,615)
(Increase) decrease in prepaid expenses	(3,118)
Increase (decrease) in health insurance payable	80
Increase (decrease) in accounts payable	16,971
Increase (decrease) in payroll taxes payable	<u>(1,649)</u>

Net Cash Provided by Operating Activities \$ 96,654

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

Muskogee County Rural Water District No. 2
Muskogee, Oklahoma

Notes to Financial Statements
For the Years Ended December 31, 2024

Note 1 – Significant Accounting Policies

Business Activity

Muskogee County Rural Water District No. 2 (the District) was formed under the provisions of Title 82, O.S. Sections 1324.1-1324.26 inclusive. The District operates as a nontaxable government agency to service residents of Muskogee County. The District's primary income is from the sale of water to its members in an area around Muskogee, Oklahoma.

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.

Cash

The District's accounts are with Armstrong Bank in an Operating Account. Gross revenues of the District are deposited into this account. The reasonable and necessary current expenses of operating and maintaining the District for each month are also paid from this account.

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash on hand and all cash in the bank.

As of December 31, 2024, the District's deposits were \$244,020. These funds were covered by Federal Depository Insurance Corporation (FDIC), which provides up to \$250,000 of coverage.

Investments

The District had no outstanding investments as of December 31, 2024.

Muskogee County Rural Water District No. 2

Muskogee, Oklahoma

Notes to Financial Statements
For the Years Ended December 31, 2024

Note 1 – Significant Accounting Policies – cont'd

Accounts Receivable

Billings for accounts receivable at December 31, 2024, were \$42,463. No computation was made for allowance for doubtful accounts, which is not considered to be material to the financial statements.

Capital Assets

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

	12/31/2023 Amount	Additions	Deletions	12/31/2024 Amount
Land	\$ 17,719	-	-	17,719
Buildings	125,179	-	-	125,179
Plant and water sys.	916,086	-	-	916,086
Equip and vehicles	251,918	90,625	-	342,543
Office furn & equip	22,578	-	-	22,578
Total Capital Assets	1,333,480	90,625	-	1,424,105
Less: Accumulated Depreciation	(781,579)	(67,009)	-	(848,588)
Total	<u>\$ 551,901</u>	<u>23,616</u>	<u>-</u>	<u>575,517</u>

Federal Income Tax

The District is exempt from all federal and state income taxes.

Muskogee County Rural Water District No. 2
Muskogee, Oklahoma
Notes to Financial Statements
For the Year Ended December 31, 2024

Note 2 – Long-Term Debt

Long-term debt consists of the following lease purchase:

	December 31, 2024
Lease Purchase of Backhoe, dated 9-29-22, totaling \$135,115, interest rate of 3.99%, due in monthly principal and interest installments of varying amounts, final payment due 9-29-29	<u>\$ 95,784</u>

The scheduled maturities for the next five years are detailed as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 18,666	3,534	22,200
2026	19,436	2,764	22,200
2027	20,238	1,962	22,200
2028	21,069	1,131	22,200
2029	<u>16,375</u>	<u>276</u>	<u>16,651</u>
Total	<u>\$ 95,784</u>	<u>9,667</u>	<u>105,451</u>

Note 3 – Insurance Coverage

The District appears to have had adequate insurance to cover all major perils at December 31, 2024.

Note 4 – Subsequent Events

Management has evaluated subsequent events through February 14, 2025 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.

Muskogee County Rural Water District No. 2
Muskogee, Oklahoma

Notes to Financial Statements
For the Year Ended December 31, 2024

Note 5 – Change in Accounting Method / Prior Period Adjustment

During the 2024 fiscal year, the District adopted the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB). This policy is in accordance with generally accepted accounting principles. The District presented its financial statements on a modified cash basis of accounting during the previous 2023 fiscal year, which is a basis of accounting other than GAAP, as established by the GASB. Under the accrual basis of accounting, revenues are recorded when they are earned and liabilities are recognized when incurred. The accrual basis of accounting portrays a more accurate portrait of the District's financial position by including accounts receivable, prepaid assets, accounts payable, and accrued liabilities.

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 2
MUSKOGEE, OKLAHOMA
BUDGET VS ACTUAL COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2024

	ORIGINAL / FINAL BUDGET	ACTUAL	VARIANCE
Revenue:			
Water sales	360,000	372,878	12,878
Late charges	11,000	11,552	552
Meter installation	1,500	2,250	750
Reconnect fees	250	1,050	800
Transfer fees	1,000	1,900	900
Returned check fees	150	420	270
Benefit units	2,000	3,000	1,000
Miscellaneous	100	3,087	2,987
RIG grant proceeds	0	15,944	15,944
Interest	1,700	2,256	556
Gross revenue	<u>377,700</u>	<u>414,337</u>	<u>36,637</u>
Cost of Sales:			
Water purchases	105,000	102,499	2,501
Revenue less cost of water	<u>272,700</u>	<u>311,838</u>	<u>39,138</u>
Operating Expenses:			
Audit expense	2,800	2,800	0
Wages - Superintendent	39,520	42,148	(2,628)
Wages - Office manager	20,921	22,540	(1,619)
Wages - System Assistant	22,000	27,509	(5,509)
Bonuses	1,800	1,800	0
Payroll taxes	7,350	5,186	2,164
Health insurance	17,684	17,684	0
Retirement	2,400	2,400	0
Backhoe payment	22,200	22,200	0
Electricity	7,200	7,300	(100)
Insurance - Building/Truck	5,898	7,083	(1,185)
Insurance - Workers Comp	1,969	602	1,367
Office supplies/expenses	1,000	2,052	(1,052)
Plant expenses/parts/materials	45,000	44,038	962
Water testing	4,000	3,420	580
Telephone/Internet	2,218	2,281	(63)
Staff / Board travel & training	500	274	226
Board Compensation	2,700	560	2,140
Truck maintenance	5,000	1,976	3,024
Truck fuel	4,500	3,957	543
Backhoe fuel	3,000	1,105	1,895
Backhoe maintenance	6,000	1,399	4,601
Postage	3,865	4,206	(341)
Sequoyah contract	900	900	0
Itron contract	1,042	0	1,042
Itron cloud storage	315	0	315
Diamond Mapping	288	288	0
Dues, fees & licenses	645	632	13
Memberships	497	511	(14)
Paint Office Building	7,000	0	7,000
Acoustic Leak Detector***		6,612	(6,612)
Pressure Washer***		7,522	(7,522)
Trailer***		25,490	(25,490)
Compact Excavator***		51,000	(51,000)
Total operating expenses	<u>240,212</u>	<u>317,475 **</u>	<u>(77,263)</u>
Revenues over (under) expenses	<u><u>32,488</u></u>	<u><u>(5,637)</u></u>	<u><u>(38,125)</u></u>

** - Operating expenses do not include depreciation expense of \$67,009.

*** - These expenses include capital asset expenditures and are not listed as operating expenses on the financial statements, but have been included here for budget to actual comparison purposes.

Muskogee County Rural Water District No. 2
Muskogee, Oklahoma

Schedule of Water Rates and Customers

-Unaudited Information-

December 31, 2024

Water Rates - Residential

0 – 2,000 gallons	=	\$35.00 minimum bill
2,001 – 14,999 gallons	=	\$8.50 per 1,000 gallons
15,000 + gallons	=	\$14.00 per 1,000 gallons

Water Rates - Commercial

0 – 2,000 gallons	=	\$35.00 minimum bill
2,001 + gallons	=	\$14.00 per 1,000 gallons

Water Loss

	<u>2024</u>	<u>2023</u>
Total gallons purchased (City of Muskogee)	38,953,722	30,273,682
Total gallons sold to District customers	<u>30,690,779</u>	<u>27,678,845</u>
Total water loss	<u>8,262,943</u>	<u>12,594,837</u>
Percentage of water loss	<u>21.21%</u>	<u>31.27%</u>

Source: 2024 and 2023 Monthly Operating Report

Customers

The District had 477 customers at the close of the fiscal year.

Current benefit unit is \$1,000, and \$750 for installation.