

**CROOKED RIVER RANCH WATER COMPANY**  
**CROOKED RIVER RANCH, OREGON**

**COMMUNICATION TO THE GOVERNING BODY**

**FOR THE YEAR ENDED DECEMBER 31, 2023**



12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223



**PAULY, ROGERS AND CO., P.C.**  
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March 15, 2024

To the Board of Directors  
Crooked River Ranch Water Company  
Crooked River Ranch, Oregon

We have audited the modified cash basis basic financial statements of Crooked River Ranch Water Company (the Company) for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit

### **Purpose of the Audit**

Our audit was conducted using sampling, inquiries and analytical work to opine on the fair presentation of the modified cash basis basic financial statements and compliance with:

- the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.
- generally accepted accounting principles and auditing standards

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the modified cash basis basic financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the modified cash basis basic financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the modified cash basis basic financial statements and not to provide assurance on the internal control over financial reporting.

### **Planned Scope and Timing of the Audit**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the modified cash basis basic financial statements; therefore, our audit involved judgment about the number of transactions examined and the areas to be tested.

Our audit included obtaining an understanding of the Company and its environment, including internal control, sufficient to assess the risks of material misstatement of the modified cash basis basic financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Company or to acts by management or employees acting on behalf of the Company. We also communicated any internal control related matters that are required to be communicated under professional standards.

Pauly, Rogers and Co., P.C.

### **Results of Audit**

1. Audit opinion letter - an unmodified opinion on the modified cash basis basic financial statements has been issued. This means we have given a “clean” opinion with no reservations.
2. Management letter – No separate management letter was issued.

### **Significant Audit Matters**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 1 to the modified cash basis basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2023. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the modified cash basis basic financial statements in the proper period.

Accounting estimates are an integral part of the modified cash basis basic financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the modified cash basis basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the modified cash basis basic financial statements are Management’s estimate of Capital Asset Depreciation, which is based on useful lives of assets. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the modified cash basis basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures in the modified cash basis basic financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements or determined that their effects are immaterial. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, taken as a whole. There were no uncorrected misstatements noted during the audit.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the modified cash basis basic financial statements or the auditors’ report. We are pleased to report that no such disagreements arose during the course of our audit.

Pauly, Rogers and Co., P.C.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the modified cash basis basic financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to our retention as the auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Best Practices – Not Significant Deficiencies**

#### 1. Segregation of Duties

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected. Specifically, the risk of theft of cash payments being dropped off and taken by staff who also have the ability to delete customers from the billing system to cover up the theft. We recommend that the Board of Directors continually monitor the financial activities to mitigate this risk and consider obtaining additional fidelity insurance coverage to compensate for this risk.

#### 2. FDIC Coverage

During our review of cash, we noted bank balances exceed the amount insured by the FDIC. We recommend that the Board of Directors examine this exposure risk and make a determination if multiple banks should be used to maximize FDIC insurance.

#### 3. QuickBooks Accounting Software

QuickBooks accounting software is used. QuickBooks may allow users to delete transactions without any audit trail remaining. We recommend that you evaluate the risk of using this program and consider reviewing the audit tracker on a periodic basis for unusual transactions to ensure it had not been shut off. This review should be documented.

#### 4. IT Controls

In reviewing IT Controls, we noted that the Company currently has no policy to change passwords in the accounting software. We recommend that the Company implement procedures to require strong passwords with unique characters which are to be changed on a bi-annual basis.

5. Bank Reconciliations

During our review of bank reconciliations, we noted that all the bank reconciliations tested had no evidence of being reviewed timely. Even though evidence of review was documented by a signature, the date indicating when the review occurred was missing. We recommend that someone independent of the preparation process review the monthly bank reconciliations on a timely manner to ensure there are no discrepancies or unusual reconciling items (unintentional or intentional) and that they document that review and approval with a signature and date to enhance internal controls.

6. Approval of Disbursements

During our testing of disbursements, we noted four items which had no evidence of approval from the General Manager and a member of the board despite this being the Company's policy. We recommend that each invoice or disbursement be approved by the manager/board member.

This information is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.



ROY R ROGERS, CPA  
PAULY, ROGERS AND CO., P.C.

**CROOKED RIVER RANCH WATER COMPANY**  
**CROOKED RIVER RANCH, OREGON**

**MODIFIED CASH BASIS BASIC FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 (AUDITED) AND**  
**2022 (UNAUDITED)**



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**CROOKED RIVER RANCH WATER COMPANY**  
**CROOKED RIVER RANCH, OREGON**

**MODIFIED CASH BASIS BASIC FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2023 (Audited) and 2022 (Unaudited)**

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**CROOKED RIVER RANCH WATER COMPANY**  
**CROOKED RIVER RANCH, OREGON**

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
Independent Auditor's Report	1
MODIFIED CASH BASIS BASIC FINANCIAL STATEMENTS:	
Statements of Financial Position – Modified Cash Basis	3
Statements of Activities – Modified Cash Basis	4
Statement of Functional Disbursements – Modified Cash Basis – 2023 (Audited)	5
Statement of Functional Disbursements – Modified Cash Basis – 2022 (Unaudited)	6
Statements of Cash Flows – Modified Cash Basis	7
Notes to the Modified Cash Basis Basic Financial Statements	8

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## INDEPENDENT AUDITOR'S REPORT

March 15, 2024

To the Board of Directors  
Crooked River Ranch Water Company  
Crooked River Ranch, Oregon

### Opinions

We have audited the accompanying modified cash basis basic financial statements of Crooked River Ranch Water Company (the Company) which comprise the statements of financial position –modified cash basis as of and for year ended December 31, 2023, the statements of activities, functional expenses, and cash flows – modified cash basis for the year then ended, and the related notes to the basic financial statements.

In our opinion, the modified cash basis basic financial statements referred to above present fairly, in all material respects, the financial position of Crooked River Ranch Water Company, as of December 31, 2023 and the changes in net assets, and cash flows for the year then ended in conformity with the modified cash basis of accounting as described in Note 1

### Basis for Opinions

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter –Basis of Accounting

We draw attention to note 1 of the basic financial statements, which describes the basis of accounting. The basic financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the modified cash basis basic financial statements in accordance with basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the basic financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the modified cash basis basic financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the modified cash basis basic financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 basic 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 modified cash basis basic 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 modified cash basis basic 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 Company'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 modified cash basis basic financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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 controls-related matters that we identified during the audit.



ROY R. ROGERS, CPA  
PAULY, ROGERS AND CO., P.C.

**MODIFIED CASH BASIS BASIC FINANCIAL STATEMENTS**

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**CROOKED RIVER RANCH WATER COMPANY**  
**CROOKED RIVER RANCH, OREGON**

**STATEMENTS OF FINANCIAL POSITION - MODIFIED CASH BASIS**  
**at December 31, 2023 and 2022**

	<u>(Audited)</u> 2023	<u>(Unaudited)</u> 2022
<b>ASSETS:</b>		
Current Assets		
Cash and cash equivalents	\$ 130,722	\$ 398,081
Restricted cash for debt service	118,424	175,224
Materials inventory	<u>-</u>	<u>104,572</u>
Total Current Assets	249,146	677,877
Capital Assets		
Capital assets, net of accumulated depreciation	<u>6,864,465</u>	<u>6,989,907</u>
<b>TOTAL ASSETS</b>	<b><u><u>7,113,611</u></u></b>	<b><u><u>7,667,784</u></u></b>
<b>LIABILITIES:</b>		
Current Liabilities		
Customer deposits	1,200	1,412
Current portion of long-term debt	<u>94,924</u>	<u>93,176</u>
Total Current Liabilities	96,124	94,588
Long-term Liabilities		
USDA loan, net of current portion and Amortization fees of \$9,159 and \$9,437	<u>4,178,610</u>	<u>4,273,256</u>
Total Liabilities	<u>4,274,734</u>	<u>4,367,844</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions	<u>2,838,877</u>	<u>3,299,940</u>
Total Net Assets	<u>2,838,877</u>	<u>3,299,940</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 7,113,611</u></u></b>	<b><u><u>\$ 7,667,784</u></u></b>

See accompanying notes to basic financial statements.

**CROOKED RIVER RANCH WATER COMPANY**  
**CROOKED RIVER RANCH, OREGON**

**STATEMENTS OF ACTIVITIES - MODIFIED CASH BASIS**  
**for the Years Ended December, 2023 and 2022**

	<u>(Audited)</u> <u>2023</u>	<u>(Unaudited)</u> <u>2022</u>
Receipts		
Metered water sales	\$ 1,012,121	\$ 979,250
New connection fees	11,710	10,902
Re-connection fees	307	677
Interest income	470	327
Cell tower fees	40,529	19,630
Miscellaneous income	4,230	5,948
Cross connection fee	6,589	4,546
Total Receipts	<u>1,075,956</u>	<u>1,021,280</u>
Disbursements		
Operating Disbursements	1,118,625	932,093
General and Administrative	313,822	248,267
Total Disbursements	<u>1,432,447</u>	<u>1,180,360</u>
Change in Net Assets	(356,491)	(159,080)
Prior Period Adjustment	(104,572)	-
Net Assets at Beginning of Year	<u>3,299,940</u>	<u>3,459,020</u>
Net Assets at End of Year	<u>\$ 2,838,877</u>	<u>\$ 3,299,940</u>

See accompanying notes to basic financial statements.



**CROOKED RIVER RANCH WATER COMPANY**  
**CROOKED RIVER RANCH, OREGON**

**STATEMENT OF FUNCTIONAL DISBURSEMENTS - MODIFIED CASH BASIS**  
**for the Year Ended December 31, 2023 (Audited)**

	<u>Operating</u>	<u>General &amp; Adminstrative</u>	<u>Total</u>
DISBURSEMENTS:			
Amortization	\$ 1,112	\$ -	\$ 1,112
Computer expense	-	40,899	40,899
Contract services	76,692	-	76,692
Depreciation	379,705	-	379,705
Double Check Valve Backflow Program	-	120	120
Dues and Subscriptions	-	3,684	3,684
Education and Staff Conferences	-	3,497	3,497
Employee Benefits	-	43,408	43,408
Insurance	-	31,956	31,956
Interest expense	-	82,075	82,075
Legal and professional fees	-	18,735	18,735
License and fees	-	2,890	2,890
Miscellaneous	-	40,623	40,623
Other supplies and postage	7,371	6,352	13,723
Payroll taxes and expense	-	30,423	30,423
Power	105,056	7,527	112,583
Property Tax	-	863	863
Public Relation Advertising	-	770	770
Small tools	8,058	-	8,058
System repair and maintenance	101,764	-	101,764
Telephone and utilities	7,473	-	7,473
Transportation	49,686	-	49,686
Wages	374,760	-	374,760
Water quality test	6,948	-	6,948
	<u>          </u>	<u>          </u>	<u>          </u>
Total Disbursements	<u>\$ 1,118,625</u>	<u>\$ 313,822</u>	<u>\$ 1,432,447</u>

See accompanying notes to basic financial statements.

**CROOKED RIVER RANCH WATER COMPANY**  
**CROOKED RIVER RANCH, OREGON**

**STATEMENT OF FUNCTIONAL DISBURSEMENTS - MODIFIED CASH BASIS**  
**for the Year Ended December 31, 2022 (Unaudited)**

	<u>Operating</u>	<u>General &amp; Adminstrative</u>	<u>Total</u>
DISBURSEMENTS:			
Amortization	\$ 834	\$ -	\$ 834
Computer expense	-	36,385	36,385
Contract services	98,067	-	98,067
Depreciation	412,172	-	412,172
Double Check Valve Backflow Program	-	80	80
Dues and Subscriptions	-	3,336	3,336
Education and Staff Conferences	-	1,204	1,204
Employee Benefits	-	20,428	20,428
Insurance	-	29,273	29,273
Interest expense	-	83,762	83,762
Legal and professional fees	-	9,449	9,449
License and fees	-	2,040	2,040
Miscellaneous	-	22,495	22,495
Other supplies and postage	4,209	7,521	11,730
Payroll taxes and expense	-	22,149	22,149
Power	90,732	6,433	97,165
Property Tax	-	739	739
Public Relation Advertising	-	770	770
Equipment Rental	1,958	-	1,958
Small tools	3,815	-	3,815
System repair and maintenance	33,690	-	33,690
Telephone and utilities	10,746	2,203	12,949
Transportation	15,603	-	15,603
Wages	257,789	-	257,789
Water quality test	2,478	-	2,478
	<u>\$ 932,093</u>	<u>\$ 248,267</u>	<u>\$ 1,180,360</u>
Total Disbursements	<u>\$ 932,093</u>	<u>\$ 248,267</u>	<u>\$ 1,180,360</u>

See accompanying notes to basic financial statements.

**CROOKED RIVER RANCH WATER COMPANY**  
**CROOKED RIVER RANCH, OREGON**

**STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS**  
**for the Years Ended December, 2023 and 2022**

	<u>(Audited)</u>	<u>(Unaudited)</u>
	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of receipts over disbursements	\$ (356,491)	\$ (159,080)
Depreciation (net)	379,705	409,423
Changes in operating assets and liabilities:		
Customer deposits	(212)	212
Amortization of loan fee	278	278
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>23,280</u>	<u>250,833</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of capital assets	<u>(254,263)</u>	<u>(146,414)</u>
<u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>(254,263)</u>	<u>(146,414)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term loans and retention payable	<u>(93,176)</u>	<u>(91,462)</u>
<u>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</u>	<u>(93,176)</u>	<u>(91,462)</u>
NET INCREASE (DECREASE) IN CASH	(324,159)	12,957
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>573,305</u>	<u>560,348</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 249,146</u>	<u>\$ 573,305</u>
Asset Presentation:		
Cash	\$ 130,722	\$ 398,081
Restricted cash	<u>118,424</u>	<u>175,224</u>
<u>Total Cash</u>	<u>\$ 249,146</u>	<u>\$ 573,305</u>

See accompanying notes to basic financial statements.

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**NOTES TO THE  
MODIFIED CASH BASIS BASIC FINANCIAL STATEMENTS**

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**CROOKED RIVER RANCH WATER COMPANY  
CROOKED RIVER RANCH, OREGON**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF ACTIVITIES

Crooked River Ranch Water Company (the Company), was organized as a nonprofit corporation on April 27, 1977, for the purpose of owning and operating a mutual domestic water distribution system and distributing water to Crooked River Ranch, which is located in central Oregon. The Water Company may assess its members' fees to cover the costs of its water services and may accumulate funds to meet its current expenses and other reasonable needs and reserves. It is regulated by the Oregon Public Utilities Commission.

BASIS OF ACCOUNTING

The accompanying basic financial statements were prepared on the modified cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. The modifications to the cash basis of accounting are the reporting of capitalization and depreciation of property and equipment, materials inventory, refundable (customer) deposits and long-term debt. Under this basis, receipts are recognized when collected rather than when earned, and disbursements are recognized when paid rather than when incurred. Receivables and payables are not reported, except for any retention payable.

The modified cash basis of accounting differs from accounting principles generally accepted in the United States primarily because the effects of outstanding receivables and obligations for expenses unpaid as of the basic financial statement date have been excluded from the basic financial statements.

USE OF ESTIMATES

Preparation of the modified cash basis basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

CAPITAL ASSETS

Property, plant, and equipment purchased or constructed are capitalized at cost. All purchases of property and equipment over \$2,500 per item with a useful life greater than one year are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

**CROOKED RIVER RANCH WATER COMPANY  
CROOKED RIVER RANCH, OREGON**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

CAPITAL ASSETS (Continued)

Building and improvements	30-40 years
System infrastructure	20-50 years
Vehicles	5-10 years
Machinery and equipment	5-30 years
Furniture and Fixtures	5-10 years

FINANCIAL STATEMENT PRESENTATION

The accompanying basic financial statements were prepared in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14. Under FASB ASU 2016-14, information regarding financial position and activities are reported according to two classes of net assets (Net assets without donor restrictions and net assets with donor restrictions) based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Receipts, gains and other support that have no external restrictions on their use or purpose and can be used for any purpose consistent with bylaws are reported as net assets without donor restrictions. Net assets without donor restriction include all assets available for general purposes.

Net Assets with Donor Restrictions – Contributions that are received with donor stipulation or by law that limit their use are recorded as net assets with donor restrictions. Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulation that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) or those resources. Thus, those laws extend donor imposed restrictions. There are no net assets with donor restrictions at December 31, 2023 and 2022.

Contributions are recorded in accordance with FASB ASU 2016-14. Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of the donor and legal restrictions. Contributions with donor restrictions received and released in the same year are recorded as contributions without donor restrictions. For the years ended December 31, 2023 and 2022, no contributions with donor restrictions have been received.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. At December 31, 2023 and 2022, there were no investments.



**CROOKED RIVER RANCH WATER COMPANY  
CROOKED RIVER RANCH, OREGON**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**WATER USAGE FEES**

Receipts are primarily derived from water fees collected from users and are expended for the purpose of distribution of water to the users. The minimum residential water rate per month for 2023 was \$34.59 through September. After September, the fee went to a monthly rate depending on meter size with \$42.16 for a ¾ meter size. The larger the meter, the more the monthly fee. The rate for 2022 was \$34.59. Company personnel read the meters every month during the summer with the excess usage billed at that time.

**2. CASH AND CASH EQUIVALENTS**

The cash and cash equivalents are considered to be cash on hand and demand deposits. Deposits with financial institutions included bank demand deposits.

	<u>2023</u>	<u>2022</u>
Demand Deposits	\$ 249,146	\$ 573,305
	<u>\$ 249,146</u>	<u>\$ 573,305</u>

Financial Statement Presentation:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 130,722	\$ 398,081
Restricted Cash	118,424	175,224
	<u>\$ 249,146</u>	<u>\$ 573,305</u>

Restricted Cash is a debt service reserve required by debt covenant (see note 5).

**CREDIT RISK – DEPOSITS**

In the case of deposits, there is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial risk. The deposits exceeded Federal Deposit Insurance Coverage (FDIC) limit by \$20,124 and \$369,762 as of December 31, 2023 and 2022, respectively.

**CROOKED RIVER RANCH WATER COMPANY  
CROOKED RIVER RANCH, OREGON**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**3. CAPITAL ASSETS**

Changes in capital assets for the year ended December 31, 2023 are as follows:

	January 1, 2023	Additions	(Deletions)	December 31, 2023
Capital Asset, Non-depreciable				
Land	\$ 141,331	-	-	\$ 141,331
Total non-depreciable	141,331	-	-	141,331
Depreciable Assets				
Land Improvements	785,145	-	-	785,145
Buildings	231,125	-	-	231,125
Water system improvements	9,002,937	78,184	-	9,081,121
Vehicles	230,106	176,079	-	406,185
Furniture and fixtures	27,754	-	-	27,754
Machinery and equipment	390,535	-	-	390,535
Total depreciable assets	10,667,602	254,263	-	10,921,865
Accumulated Depreciation				
Land Improvements	212,516	40,256	-	252,772
Buildings	141,367	5,357	-	146,724
Water system improvements	3,096,893	269,960	-	3,366,853
Vehicles	151,952	50,694	-	202,646
Furniture and fixtures	10,474	2,458	-	12,932
Machinery and equipment	205,824	10,980	-	216,804
Total accumulated depreciation	3,819,026	379,705	-	4,198,731
Total Net Depreciable Capital Assets	6,848,576			6,723,134
Total Net Capital Assets	\$ 6,989,907			\$ 6,864,465

**CROOKED RIVER RANCH WATER COMPANY  
CROOKED RIVER RANCH, OREGON**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**3. CAPITAL ASSETS (CONTINUED)**

Changes in capital assets for the year ended December 31, 2022 are as follows:

	<u>January 1, 2022</u>	<u>Adjustments</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>December 31, 2022</u>
Capital Asset, Non-depreciable					
Land	\$ 141,331	-	-	-	\$ 141,331
Total non-depreciable	141,331	-	-	-	141,331
Depreciable Assets					
Land Improvements	785,145	-	-	-	785,145
Buildings	231,125	-	-	-	231,125
Water system improvements	8,996,029	-	6,908	-	9,002,937
Vehicles	147,520	-	82,586	-	230,106
Furniture and fixtures	11,674	-	16,080	-	27,754
Machinery and equipment	349,695	-	40,840	-	390,535
Total	<u>10,521,188</u>	-	<u>146,414</u>	-	<u>10,667,602</u>
Accumulated Depreciation					
Land Improvements	172,260	-	40,256	-	212,516
Buildings	136,010	(1)	5,358	-	141,367
Water system improvements	2,754,262	(1,977)	344,608	-	3,096,893
Vehicles	142,299	(770)	10,423	-	151,952
Furniture and fixtures	7,803	-	2,671	-	10,474
Machinery and equipment	196,969	(1)	8,856	-	205,824
Total	<u>3,409,603</u>	<u>(2,749)</u>	<u>412,172</u>	-	<u>3,819,026</u>
Total Net Depreciable Capital Assets	<u>7,111,585</u>				<u>6,848,576</u>
Total Net Capital Assets	<u>\$ 7,252,916</u>				<u>\$ 6,989,907</u>

Adjustment represents the updating of accumulated depreciation in the Capital Asset Register.

**CROOKED RIVER RANCH WATER COMPANY  
CROOKED RIVER RANCH, OREGON**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**4. INCOME TAX STATUS**

Crooked River Ranch Water Company is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code. In any given year, at least eighty-five percent (85%) of the Company's gross income must be collected from members, for the sole purpose of meeting losses and expenses.

U.S. Generally Accepted Accounting Principles requires management to evaluate tax positions taken and recognize a tax liability (or asset) if an uncertain position has been taken that more likely than not would not be sustained upon examination by the Internal Revenue Service.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company's management believes it is no longer subject to income tax examinations for years prior to 2020.

**5. LONG-TERM LIABILITIES**

Two loans were received in December of 2016 through the U.S. Department of Agriculture (USDA) Rural Utilities Service program totaling \$4,900,000. The loans are being repaid over 40 years at 1.875% interest and are secured by promissory note and deed of trust on all lands owned, assigned of income, water rights and all easements as well as a UCC-1 financing statement on all movable equipment. Annual payments of \$175,224 are made.

The Letter of Conditions requires the establishment of the following reserve accounts:

1. Debt Service Reserve:  
Funded annually with an amount equal to 10% of the annual payment each year over the life of the loan until one annual installment of \$175,224 is accumulated.

The Company has complied with these conditions by designating one bank account to hold the debt service reserve. The debt service reserve account balance at December 31, 2023 was \$118,424 and 2022 was \$175,224.

Changes in long term liabilities as of December 31, 2023 are:

	Beginning Balance 1/1/2023	Addition	Reductions	Ending Balance 12/31/2023	Due within One year
Notes Payable	\$ 4,375,869	\$ -	\$ (93,176)	\$ 4,282,693	\$ 94,924
Amortization Fee	(9,437)	-	278	(9,159)	-
<b>Total Long term Liabilities</b>	<b>\$ 4,366,432</b>	<b>\$ -</b>	<b>\$ (92,898)</b>	<b>\$ 4,273,534</b>	<b>\$ 94,924</b>

**CROOKED RIVER RANCH WATER COMPANY  
CROOKED RIVER RANCH, OREGON**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**5. LONG-TERM LIABILITIES (CONTINUED)**

Changes in long term liabilities as of December 31, 2022 are:

	Beginning Balance 1/1/2022	Addition	Reductions	Ending Balance 12/31/2022	Due within One year
Notes Payable	\$ 4,467,331	\$ -	\$ (91,462)	4,375,869	\$ 93,176
Amortization Fee	(9,715)		278	(9,437)	-
<b>Total Long term Liabilities</b>	<b>\$ 4,457,616</b>	<b>\$ -</b>	<b>\$ (91,184)</b>	<b>\$ 4,366,432</b>	<b>\$ 93,176</b>

Future debt service requirements are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 94,924	\$ 80,300	\$ 175,224
2025	96,703	78,521	175,224
2026	98,517	76,707	175,224
2027	100,364	74,860	175,224
2028	102,246	72,978	175,224
2029-2033	540,713	335,407	876,120
2034-2038	593,342	282,778	876,120
2039-2043	651,093	225,027	876,120
2044-2048	714,466	161,654	876,120
2049-2053	784,006	92,114	876,120
2054-2056	506,319	19,100	525,419
	<u>\$ 4,282,693</u>	<u>\$ 1,499,446</u>	<u>\$ 5,782,139</u>

**CROOKED RIVER RANCH WATER COMPANY  
CROOKED RIVER RANCH, OREGON**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**6. RENTAL AGREEMENTS**

In 2008, the Company signed a rental agreement with Solution Yes for a copier under a five-year agreement through February 2023. The agreement ended and no payments are due at the end of the year.

The Company entered into a couple rental agreements which were not recorded under FASB ASC 842 due to the Company's use of the modified cash basis of accounting.

In 2022, the Company signed a service and maintenance agreement with Kelley Connect for four copiers under a five-year agreement through October 2027. The monthly base payment for the services is \$227. The total disbursements for the services during the year ended December 31, 2023 was \$3,296.

In January 2023, the Company entered into an equipment finance lease for a mini excavator with Wells Fargo under a three-year agreement through 2026. The monthly payment for the lease is \$1,528 and the total disbursement for the lease during the year ended December 31, 2023 was \$15,276. The Company has the option to purchase the equipment at the end of the lease term for \$48,945.

**7. PROPERTY AGREEMENTS RECEIPTS**

The Company rented out the use of certain properties which were not recorded under FASB ASC 842 due to the Company's use of the modified cash basis of accounting.

In November 2016, the Company agreed to rent a property located at 8111 SW Tower road to Webformix for \$600 per month. The initial term was for 5 years with one extended additional five-year term. The Company received \$7,200 in rental receipts from Webformix for the year ended December 31, 2023.

In November 2017, the Company entered into a 15-year facility attachment rental agreement with T-Mobile West LLC for a property located at 8111 SW Tower road, Crooked River Ranch, Oregon. The Company received \$33,329 in rental receipts from T-Mobile for the year ended December 31, 2023.

**8. FUNCTIONAL DISBURSEMENTS**

The Statements of Functional Disbursements report certain categories of disbursements that are attributable to more than one program or supporting function. Therefore, these disbursements require allocation on a reasonable basis that is consistently applied. All disbursements are allocated based on time and effort.

**CROOKED RIVER RANCH WATER COMPANY  
CROOKED RIVER RANCH, OREGON**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**9. LIQUIDITY**

Financial assets available within one year of the balance sheet date for general expenditures are as follows at December 31, 2022 and 2021, respectively:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 249,146	\$ 573,305
Restricted cash	<u>(118,424)</u>	<u>(175,224)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 130,722</u>	<u>\$ 398,081</u>

The restricted cash is required by the USDA loan's debt covenant. As part of liquidity management, there is a policy to structure its financial assets to be available as its general expenses, liabilities and other obligations come due. In addition, cash in excess of daily requirements is invested in short-term investments.

**10. RETIREMENT PLAN**

The Company started a SIMPLE IRA retirement plan for its employees during 2015. Eligibility is limited to employees who are reasonably expected to receive at least \$5,000 in compensation for the calendar year.

The Plan provides for either a matching contribution of 1%-3% or an employer non-elective contribution equal to 2% of total employee compensation for the calendar year. This election is made annually. Employer contributions for the year ended December 31, 2023 and 2022 were \$9,372 and \$6,837, respectively. The investments of the Plan are not shown on these basic financial statements because the assets belong to the Plan for the exclusive use of the employees, and is managed by a third party provider.

**11. COMMITMENTS AND CONTINGENCIES**

The COVID-19 outbreak in the United States has caused substantial disruption to business and local governments due to mandated and voluntary suspension of operations and stay at home orders. There is considerable uncertainty around the duration of the outbreak and the long-term impact to the overall economy. The ultimate impact on the Company's finances is not determinable.

**12. SUBSEQUENT EVENTS**

Events have been evaluated for the year ended December 31, 2023 through March 15, 2024, the issuance date of the basic financial statements. No subsequent events were identified by management that required note disclosure.

**CROOKED RIVER RANCH WATER COMPANY  
CROOKED RIVER RANCH, OREGON**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**13. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$104,572 is reported in the Statement of Activities - modified cash basis for the year ended December 31, 2023 in order to update the inventory amount previously reported in the prior year.