

**Longtown Rural Water & Sewer District No. 1  
Pittsburg County Oklahoma**

**Financial Statements  
and Reports of Independent Auditor**

**December 31, 2022**

Audited by

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

Broken Arrow, OK

**Longtown Rural Water & Sewer District No. 1**  
**Pittsburg County, Oklahoma**  
December 31, 2022

**BOARD OF DIRECTORS**

**Chairman**

Larry Turner

**Vice-Chairman**

Joe Troop

**Secretary**

Denise Metsa

**Members**

Albert Opitz

Bill McBee

**FIELD MANAGER**

Chris Black

**OFFICE MANAGER**

Janice Shaver

**BOOKKEEPER**

Lacy Russell

**Longtown Rural Water & Sewer District No. 1**  
**Pittsburg County, Oklahoma**  
December 31, 2022

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**BLEDSON, HEWETT & GULLEKSON**  
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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Longtown Rural Water & Sewer District No. 1  
Pittsburg County, 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 Longtown Rural Water & Sewer District No. 1, Pittsburg County, Oklahoma (the District), as of and for the year ended December 31, 2022, 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, 2022, 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 prior year “memorandum only” comparative information and the supplemental information on page 25 is 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 March 16, 2023 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

March 16, 2023

## **Longtown Rural Water & Sewer District No. 1**

### **Pittsburg County, Oklahoma**

#### **Management's Discussion and Analysis**

**December 31, 2022**

Our discussion and analysis of the Longtown Rural Water & Sewer District No. 1, Pittsburg County's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2022. 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 \$13,738, an increase of \$32,834 compared to the prior year.
- The District's overall total net position decreased by \$13,996 in the fiscal year.
- The District continued to make timely payments on their existing USDA loan.
- The District added \$95,717 in capital assets in the fiscal year, as it continued waterline improvements and purchased a truck and equipment.
- Membership numbers continued to be strong in 2022 with 2,260 total active users at fiscal year-end. Growth of the District is projected to continue.
- The District closed its Depreciation account with Farmers State Bank and transferred the ending balance of \$108,659 to the Arvest checking account. Additionally, the District closed CD #11140 with First Family Credit Union and transferred the ending balance of \$40,000 to the Farmers State Bank Money Market account.

#### **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 Revenue, 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 lower in 2022, decreasing from \$4,841,071 to \$4,827,075. 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>2022</u>	<u>2021</u>	<u>Variances</u>
Current and other assets	\$ 919,707	795,241	124,466
Capital assets, net	<u>7,236,577</u>	<u>7,458,338</u>	<u>(221,761)</u>
Total Assets	<u>\$ 8,156,284</u>	<u>8,253,579</u>	<u>(97,295)</u>
Current liabilities	\$ 100,175	107,115	6,940
Long-term liabilities	<u>3,230,034</u>	<u>3,306,393</u>	<u>76,359</u>
Total Liabilities	<u>\$ 3,330,209</u>	<u>3,413,508</u>	<u>83,299</u>
Invest. In capital assets, net			
of related debt	\$ 3,930,187	4,077,843	(147,656)
Restricted	175,000	175,000	-
Unrestricted	<u>721,888</u>	<u>588,228</u>	<u>133,660</u>
Total Net Position	<u>\$ 4,827,075</u>	<u>4,841,071</u>	<u>(13,996)</u>



Net Position of the District decreased by 0.29 percent (\$4,827,075 compared to \$4,841,071). 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 \$588,228 to \$721,888.

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

	<u>2022</u>	<u>2021</u>	<u>Variances</u>
<b>Revenues:</b>			
Charges for services	\$ 1,663,144	1,251,308	411,836
FEMA Grant	15,448	16,073	(625)
Other collections	14,956	20,850	(5,894)
Membership income	55,150	61,900	(6,750)
Interest	1,902	2,665	(763)
Total Revenues	<u>1,750,600</u>	<u>1,352,796</u>	<u>397,804</u>
<b>Expenses:</b>			
Salaries, taxes and benefits	460,787	500,097	39,310
Maintenance and water	427,610	171,908	(255,702)
Other expenses	458,488	314,931	(143,557)
Depreciation	317,477	304,308	(13,169)
Interest on debt	100,234	103,451	3,217
Total Expenses	<u>1,764,596</u>	<u>1,394,695</u>	<u>(369,901)</u>
Changes in Net Position	(13,996)	(41,899)	27,903
Net Position, Beginning	<u>4,841,071</u>	<u>4,882,970</u>	<u>(41,899)</u>
Net Position, Ending	<u>\$ 4,827,075</u>	<u>4,841,071</u>	<u>(13,996)</u>

The District's total revenues increased by 29.4 percent (\$397,804). The total cost of all services increased by 26.5 percent (\$369,901).

### **Capital Assets**

At December 31, 2022, the District had \$7,236,577 invested in capital assets, net of depreciation, including land, the water plant and system, vehicles and equipment. Capital assets of \$95,717 were added in 2022, which included the purchase of a truck, mower and various plant and field equipment.

### **Long-Term Debt**

Loan 91-08 with the Office of Rural Development was approved in 2011. The note is for \$4,062,000 and will be paid back in monthly payments over 40 years. The monthly payments of principal and interest are \$14,542, and the interest rate is 3.00%. The loan balance at December 31, 2022 was \$3,306,390.

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

For the upcoming fiscal year ending December 31, 2023, the District's budget is fairly consistent with the prior fiscal year. The normal cost of operation continues to increase for all areas of the economy, and rural water is not exempt from these increases. With this being stated, the District was awarded \$994,496 under the American Rescue Plan Act (ARPA) in January 2023. This grant is to be used for the construction of an additional holding tank and possibly a new SCADA system for the District, if funds are available. Additionally, a rate increase, effective January 1, 2023, will be used to keep up with the rising costs of water, chemicals, materials and supplies.

### **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 120 E. 2<sup>nd</sup> Street, Eufaula, OK 74435 or call (918) 452-2638.



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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  
Longtown Rural Water & Sewer District No. 1  
Pittsburg County, 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 Longtown Rural Water & Sewer District No. 1, Pittsburg County, Oklahoma (the District), as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 16, 2023.

**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 did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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, non-compliance 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

March 16, 2023

**Longtown Rural Water & Sewer District No. 1**  
**Pittsburg County, Oklahoma**  
Disposition of Prior Year's Significant Deficiencies  
December 31, 2022

There were no prior year significant deficiencies or material instances of non-compliance.

**Longtown Rural Water & Sewer District No. 1**  
**Pittsburg County, Oklahoma**  
Schedule of Audit Results  
December 31, 2022

**Section 1** – Summary of Auditor's Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit did not identify any material weaknesses and did not report any significant deficiencies not considered to be material weaknesses in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

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

NONE

**LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1**  
**Pittsburg County, Oklahoma**  
**Statement of Net Position**  
**December 31, 2022**

	<u>December 31,</u>	<u>-Memorandum-</u>
	<u>2022</u>	<u>-Only-</u>
		<u>2021</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 285,887	126,235
Investments	259,820	205,864
Current portion of receivables	90,682	96,632
Inventory of supplies	91,841	171,641
Prepaid assets	16,477	19,869
Total current assets	<u>744,707</u>	<u>620,241</u>
Restricted Assets:		
Debt service - USDA	<u>175,000</u>	<u>175,000</u>
Capital Assets-		
Land and easements	28,701	28,701
Buildings and improvements	316,955	316,955
Equipment and vehicles	1,466,616	1,410,779
Plant and water systems	10,809,277	10,769,397
Less: Accumulated depreciation	<u>(5,384,972)</u>	<u>(5,067,494)</u>
Total capital assets (net)	<u>7,236,577</u>	<u>7,458,338</u>
Other assets:		
ORWA water assistance certificate	<u>1,000</u>	<u>1,000</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 8,157,284</u></u></b>	<b><u><u>8,254,579</u></u></b>
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Customer deposits	\$ 1,800	1,800
Waste water deposits	0	1,500
Accounts payable	14,682	22,211
Accrued liabilities	7,337	7,502
Current portion of long-term debt	76,356	74,102
Total current liabilities	<u>100,175</u>	<u>107,115</u>
Non-current Liabilities:		
Notes payable, less current maturities	<u>3,230,034</u>	<u>3,306,393</u>
Total Liabilities	<u>3,330,209</u>	<u>3,413,508</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	3,930,187	4,077,843
Restricted for debt service	175,000	175,000
Unrestricted assets	<u>721,888</u>	<u>588,228</u>
Total Net Position	<u>4,827,075</u>	<u>4,841,071</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u><u>\$ 8,157,284</u></u></b>	<b><u><u>8,254,579</u></u></b>

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

**LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1**  
**Pittsburg County, Oklahoma**  
**Statement of Revenue, Expenses and Changes in Net Position**  
**For The Year Ended December 31, 2022**

	<u>2022</u>	<u>-Memorandum- -Only- 2021</u>
<b>Operating Revenues:</b>		
Water sales	\$ 1,663,144	1,251,308
Miscellaneous	14,956	20,850
Total revenue from operations	<u>1,678,100</u>	<u>1,272,158</u>
<b>Operating Expenses:</b>		
Water rights	15,871	19,407
Water testing	23,322	20,163
Dues and fees	75	879
Utilities	103,287	87,039
Chemicals	158,696	59,991
Office expense and postage	29,762	27,409
Telephone	14,578	11,229
Salaries and taxes	394,200	433,649
Employee benefits	66,587	66,448
Professional fees	10,799	8,107
Vehicle expense	57,762	33,745
Repairs and maintenance	427,610	171,908
Insurance	37,644	41,083
Uniforms	3,425	1,829
Depreciation	317,477	304,308
Miscellaneous	3,267	4,050
Total expenses from operations	<u>1,664,362</u>	<u>1,291,244</u>
Operating Income (Loss)	13,738	(19,086)
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	1,902	2,665
FEMA grant	15,448	16,073
Interest paid on long-term debt	(100,234)	(103,451)
Membership income	55,150	61,900
Total Non-Operating Revenues (Expenses)	<u>(27,734)</u>	<u>(22,813)</u>
Change in Net Position	(13,996)	(41,899)
Total Net Position, beginning of period	4,841,071	4,866,983
Prior Period Adjustment	<u>0</u>	<u>15,987</u>
<b>Total Net Position, end of period</b>	<b><u>\$ 4,827,075</u></b>	<b><u>4,841,071</u></b>

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



**LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1**  
**Pittsburg County, Oklahoma**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2022**

	<b>2022</b>	<b>-Memorandum- -Only- 2021</b>
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	\$ 1,693,548	1,286,879
Payments to employees	(394,201)	(416,956)
Payments to vendors	(872,570)	(630,476)
Net Cash Provided by Operating Activities	<u>426,777</u>	<u>239,447</u>
<b>Cash Flows from Investing Activities:</b>		
Membership income	55,150	61,900
Interest earned on investments	1,902	1,932
Net Cash Provided by (used in) Investing Activities	<u>57,052</u>	<u>63,832</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Principal paid on long-term debt	(74,106)	(323,877)
Interest paid on long-term debt	(100,398)	(108,406)
Acquisition of capital assets	(95,717)	(161,263)
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>(270,221)</u>	<u>(593,546)</u>
Net Increase (Decrease) in Cash	213,608	(290,267)
Cash and cash equivalents, beginning of period	<u>507,099</u>	<u>797,366</u>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 720,707</u></b>	<b><u>507,099</u></b>

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

Operating Income	\$ 13,738	19,086
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	317,477	304,308
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	5,951	(2,806)
(Increase) decrease in supplies inventory	88,059	(91,447)
(Increase) decrease in prepaid insurance	3,392	(399)
Increase (decrease) in accounts payable	(1,840)	10,905
Increase (decrease) in customer deposits	0	(200)
Net cash provided by operating activities	<u>\$ 426,777</u>	<u>239,447</u>

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

# **LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1**

## **Pittsburg County, Oklahoma**

### **Notes to the Financial Statements**

**December 31, 2022**

#### **Note A – Significant Accounting Policies**

##### Organization

Longtown Rural Water & Sewer District No. 1 (the District) is an Oklahoma water district organized under Title 82 of Oklahoma Statutes, Sections 1324.1-1324.26 inclusive, to provide water service to rural residents of Pittsburg County, Oklahoma. The District is considered a subdivision of the State of Oklahoma. The District is exempt from federal and state income taxes. The membership consists of approximately 2,200 members.

The District is an independent, self-contained reporting entity with no associated component units. It is operated in a manner similar to a private business enterprise where the cost (expenses, including depreciation) of providing water services is financed through user charges.

##### Basis of Accounting

The accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America is followed for all accounts. Revenues are recorded when earned and liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles. The District has also complied with GASB Statement No. 34 financial reporting requirements.

##### Cash and Cash Equivalents

The District's cash accounts at December 31, 2022 are detailed as follows:

Cash on hand	\$ 300
Arvest Bank, Eufaula, Ok-	
Operations account	293,773
Plus: Outstanding deposits	13,681
Less: Outstanding checks	<u>(21,867)</u>
Total Cash	<u>\$ 285,887</u>

**LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1**  
**Pittsburg County, Oklahoma**  
Notes to the Financial Statements  
December 31, 2022

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

**Investments**

The District’s investments are detailed as follows:

First Family Credit Union, Henryetta, Ok-	
Certificate of deposit (restricted), matures 2/4/23	\$ 175,000
Certificate of deposit, matures 2/4/23	35,000
 Farmers State Bank, Quinton, OK-	
Money market plus savings account	<u>224,820</u>
 Total Investments	<u><u>\$ 434,820</u></u>

**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 December 31, 2022, the District held deposits of approximately \$716,405 at financial institutions. The District’s cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository 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.

## LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1

### Pittsburg County, Oklahoma

#### Notes to the Financial Statements

December 31, 2022

#### **Note A – Significant Accounting Policies – cont'd**

*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.
- 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.

#### Inventories

Inventories consist primarily of materials and supplies for repairs and improvements of existing water lines, meters and all other capital assets. Inventory is valued at cost, principally on a first-in, first-out basis, but not in excess of market.

## **LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1**

### **Pittsburg County, Oklahoma**

#### **Notes to the Financial Statements**

**December 31, 2022**

#### **Note A – Significant Accounting Policies – cont’d**

##### Accounts Receivable

Billings for accounts receivable at December 31, 2022 were \$90,682. No allowance for doubtful accounts was computed because the effect of bad debts on the financial statements is not considered material.

##### Equity Classification

Equity is classified as net position and displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) laws through constitutional provisions of enabling legislation.
3. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

##### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

##### Memorandum Totals

Prior year “memorandum only” financial statement information is shown for comparative purposes only.

**LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1**

**Pittsburg County, Oklahoma**

**Notes to the Financial Statements**

**December 31, 2022**

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

**Capital Assets**

Additions to the water system and other equipment are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Non-cash contributions relate to both existing and new members of the District. If installation or water lines is required to a member's property, the District performs this service for the member at cost. The member's payment for such installation is recorded as a capital asset contribution. The District maintains a capitalization threshold of \$1,000 and an estimated useful life in excess of two (2) years.

Capital assets are valued at cost, depreciation is computed by use of the straight-line method. The estimated useful lives of these assets are as follows:

Land	N/A
Office furniture & fixtures	5-10 years
Equipment & tools	10-15 years
Transportation equipment	5 years
Water & sewer system	50 years
Buildings	40 years
Computer equipment	5-7 years

The capital asset information for the District is shown below:

	<u>12/31/2021</u>			<u>12/31/2022</u>
	<u>Amount</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount</u>
Land & easements	\$ 28,701	-	-	28,701
Buildings & improv.	316,955	-	-	316,955
Plant & Water system	10,769,397	39,880	-	10,809,277
Equipment & vehicles	<u>1,410,779</u>	<u>55,837</u>	<u>-</u>	<u>1,466,616</u>
Total Capital Assets	12,525,832	95,717	-	12,621,549
Less: Accumulated Depreciation	<u>(5,067,495)</u>	<u>(317,477)</u>	<u>-</u>	<u>(5,384,972)</u>
Total	<u>\$ 7,458,337</u>	<u>(221,760)</u>	<u>-</u>	<u>7,236,577</u>

**LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1**

**Pittsburg County, Oklahoma**

Notes to the Financial Statements

December 31, 2022

**Note B – Long-Term Debt**

Long-Term Debt consists of one note:

In 2011, the District was approved for a \$4,062,000 loan with the USDA - Office of Rural Development for continued improvements on their water system. The interest rate is 3.00%, and the District is required to make monthly payments of principal and interest of \$14,542. The water system and future water revenues are used as security for this note.

	December 31,	
	2022	2021
USDA/RD note payable 91-08, issued for \$4,062,000, interest rate of 3.00%, payable in monthly payments of \$14,542 until paid	\$ 3,306,390	3,380,495
Less: Current maturities of long-term debt	(76,356)	(74,102)
Total Long-Term Debt, Net	<u>\$ 3,230,034</u>	<u>3,306,393</u>

Restricted Accounts

The \$210,000 invested in CD's with First Family Credit Union includes a \$175,000 reserve for the USDA note. The remaining \$35,000 has been designated as unrestricted funds by the Board.

**LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1**

**Pittsburg County, Oklahoma**

Notes to the Financial Statements

December 31, 2022

**Note B – Long-Term Debt**

Future principal payments on the outstanding loan are as follows:

<u>Year</u>	<u>USDA 91-08</u>
2023	\$ 76,356
2024	78,679
2025	81,072
2026	83,538
2027	86,079
2028-32	471,297
2033-37	547,465
2038-42	635,945
2043-47	738,725
2048-52	<u>507,234</u>
Total	<u>\$ 3,306,390</u>

**Debt Service Coverage Calculation:**

Income (loss) from operations	\$ 13,738
Add:	
Depreciation and amortization	317,477
Membership fees	55,150
Interest income	<u>1,902</u>
Income available for debt service	<u>\$ 388,267</u>
Debt service:	
Interest expense	\$ 100,398
Principal payments	<u>74,106</u>
Total debt service requirements	<u>\$ 174,504</u>
Debt service coverage ratio	<u>2.2</u>

**Note C – Insurance Coverage**

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries commercial insurance, including workers compensation, for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



**LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1**

**Pittsburg County, Oklahoma**

**Notes to the Financial Statements**

**December 31, 2022**

**Note D – Employee Retirement Plan**

The District established a money purchase retirement plan for eligible employees. Under the plan, the District makes a 5% contribution to the account of each individual employee, based upon the annual compensation levels, and accrued for their benefit. An employee must have one year of service with the District before they can participate in the plan.

**Note E – Pending Litigation**

District officials are not aware of any pending or threatened litigation, claims or assessments or un-asserted claims or assessments against the District.

**Note F – Subsequent Events**

Management has evaluated subsequent events through March 16, 2023, 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.

**LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1**  
**Pittsburg County, Oklahoma**  
**Schedule of Water Rates and Customers**  
**-Unaudited Information-**  
December 31, 2022

**Water Rates:**

Residential	=	\$ 35.00 minimum
Commercial (5/8")	=	\$ 40.00 minimum
Commercial (1")	=	\$ 55.00 minimum
Commercial (1 1/2")	=	\$ 70.00 minimum
Commercial (2")	=	\$ 80.00 minimum
1,001 - 4,000 gallons	=	\$ 6.00 per thousand
4,001 – 7,000 gallons	=	\$ 6.50 per thousand
7,001 – 10,000 gallons	=	\$ 7.00 per thousand
10,001 gallons and up	=	\$ 8.00 per thousand

Meters with multiple services is \$29.00 for each additional unit.

<b><u>Water Loss:</u></b>	<u>2022</u>	<u>2021</u>
Total gallons pumped	170,179,000	168,881,000
Total gallons sold to District customers	<u>(121,250,650)</u>	<u>(107,938,330)</u>
Net Water loss	48,928,350	60,943,130
Less: water used for maintenance	<u>(3,597,651)</u>	<u>(4,206,038)</u>
Total unaccounted water loss	<u>45,330,699</u>	<u>56,737,092</u>
Percentage of water loss	<u>26.64%</u>	<u>33.60%</u>

*Note* – These figures do not include water that is being held in towers

**Customers:**

The District had 2,260 active accounts at the close of the fiscal year.

Water membership fees –  
\$ 1,750 for 5/8" Meter  
\$ 2,150 for 1" Meter  
\$ 2,250 1 1/2" Meter

Reinstatement of a benefit unit is \$100.