

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

**Financial Statements
and Reports of Independent Auditor**

December 31, 2023

Audited by

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

Broken Arrow, OK

Longtown Rural Water & Sewer District No. 1
Pittsburg County, Oklahoma
December 31, 2023

BOARD OF DIRECTORS

Chairman

Larry Turner

Vice-Chairman

Joe Troop

Secretary

Albert Opitz

Members

Justin McNeill

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, 2023

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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, 2023, 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, 2023, 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 20, 2024 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

March 20, 2024

Longtown Rural Water & Sewer District No. 1
Pittsburg County, Oklahoma
Management's Discussion and Analysis
December 31, 2023

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, 2023. 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 \$182,416 in 2023, an increase of \$168,678 compared to the prior year.
- The District's overall total net position increased by \$184,569 in the 2023 fiscal year.
- The District continued to make timely payments on their existing USDA loan.
- The District added \$126,791 in capital assets in the 2023 fiscal year which consisted of various plant and field equipment.
- Membership numbers continued to be strong in 2023 with 2,281 total active users at fiscal year-end. Growth of the District is projected to continue.
- During 2023, the District opened two new accounts with Arvest bank consisting of a money market account and a wealth management account. Additionally, the District closed its money market account with Farmers State Bank and transferred the ending balance of \$237,173 to the new Arvest 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 higher in 2023, increasing from \$4,827,075 to \$5,011,734. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District's business-type activities.

Table 1 – Net Position:

	<u>2023</u>	<u>2022</u>	<u>Variances</u>
Current and other assets	\$ 1,279,361	919,707	359,654
Capital assets, net	7,034,648	7,236,577	(201,929)
Total Assets	<u>\$ 8,314,009</u>	<u>8,156,284</u>	<u>157,725</u>
Current liabilities	\$ 150,924	100,175	(50,749)
Long-term liabilities	3,151,351	3,230,034	78,683
Total Liabilities	<u>\$ 3,302,275</u>	<u>3,330,209</u>	<u>27,934</u>
Invest. in capital assets, net of related debt	\$ 3,804,619	3,930,187	(125,568)
Restricted	175,000	175,000	0
Unrestricted	1,032,115	721,888	310,227
Total Net Position	<u>\$ 5,011,734</u>	<u>4,827,075</u>	<u>184,659</u>

Net Position of the District increased by 3.82 percent (\$5,011,734 compared to \$4,827,075). 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 \$721,888 to \$1,032,115.

Table 2 – Changes in Net Position:

	<u>2023</u>	<u>2022</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 1,794,570	1,663,144	131,426
FEMA grant proceeds	0	15,448	(15,448)
ARPA grant proceeds	102,544	0	102,544
Other collections	59,854	14,956	44,898
Membership income	77,000	55,150	21,850
Interest	14,769	1,902	12,867
Total Revenues	<u>2,048,737</u>	<u>1,750,600</u>	<u>298,137</u>
Expenses:			
Salaries, taxes and benefits	431,065	460,787	29,722
Maintenance	524,867	427,610	(97,257)
Other expenses	481,451	458,488	(22,963)
Depreciation	328,720	317,477	(11,243)
Interest on debt	97,975	100,234	2,259
Total Expenses	<u>1,864,078</u>	<u>1,764,596</u>	<u>(99,482)</u>
Changes in Net Position	184,659	(13,996)	198,655
Net Position, Beginning	<u>4,827,075</u>	<u>4,841,071</u>	<u>(13,996)</u>
Net Position, Ending	<u>\$ 5,011,734</u>	<u>4,827,075</u>	<u>184,659</u>

The District's total revenues increased by 17.03 percent (\$298,137). The total cost of all expenses increased by 5.63 percent (\$99,482).

Capital Assets

As of December 31, 2023, the District had \$7,034,648 invested in capital assets, net of depreciation, including land, the water plant and system, vehicles and equipment. Capital assets of \$126,791 were added in 2023, which included various plant and field equipment.

Long-Term Debt

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. The loan balance at December 31, 2023 was \$3,230,030.

Economic Factors and Next Year's Budget and Rates

For the upcoming fiscal year ending December 31, 2024, 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 districts are not exempt from these increases. With this being stated, the District was awarded \$1,000,000 under the American Rescue Plan Act (ARPA) in July 2023. This grant is to be used for the construction of a 500,000-gallon water standpipe. As the costs of water, chemicals, materials and supplies increase, the District may be forced to increase water rates in the future.

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. 2nd Street, Eufaula, OK 74435 or call (918) 452-2638.



BLEDSON, HEWETT & GULLEKSON
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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, 2023 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 20, 2024.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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, 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

March 20, 2024

Longtown Rural Water & Sewer District No. 1
Pittsburg County, Oklahoma
Disposition of Prior Year's Significant Deficiencies and Material Instances of
Noncompliance
December 31, 2023

There were no prior year significant deficiencies or material instances of noncompliance.

Longtown Rural Water & Sewer District No. 1
Pittsburg County, Oklahoma
Schedule of Audit Results, Findings & Questioned Costs
December 31, 2023

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, 2023

	December 31,	
	2023	-Memorandum- -Only- 2022
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 260,189	285,887
Investments	613,471	259,820
Current portion of receivables	117,505	90,682
Inventory of supplies	91,841	91,841
Prepaid assets	20,355	16,477
Total current assets	1,103,361	744,707
Restricted Assets:		
Debt service - USDA	175,000	175,000
Capital Assets-		
Land and easements	28,701	28,701
Buildings and improvements	316,955	316,955
Equipment and vehicles	1,466,616	1,466,616
Plant and water systems	10,936,068	10,809,277
Less: Accumulated depreciation	(5,713,692)	(5,384,972)
Total capital assets (net)	7,034,648	7,236,577
Other assets:		
ORWA water assistance certificate	1,000	1,000
TOTAL ASSETS	\$ 8,314,009	8,157,284
<u>LIABILITIES</u>		
Current Liabilities:		
Customer deposits	\$ 1,800	1,800
Accounts payable	63,277	14,682
Accrued liabilities	7,168	7,337
Current portion of long-term debt	78,679	76,356
Total current liabilities	150,924	100,175
Non-current Liabilities:		
Notes payable, less current maturities	3,151,351	3,230,034
Total Liabilities	3,302,275	3,330,209
<u>NET POSITION</u>		
Net investment in capital assets	3,804,618	3,930,187
Restricted for debt service	175,000	175,000
Unrestricted assets	1,032,116	721,888
Total Net Position	5,011,734	4,827,075
TOTAL LIABILITIES AND NET POSITION	\$ 8,314,009	8,157,284

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, 2023

	2023	-Memorandum- -Only- 2022
Operating Revenues:		
Water sales and services	\$ 1,794,570	1,663,144
Miscellaneous	59,854	14,956
Total revenue from operations	1,854,424	1,678,100
Operating Expenses:		
Water rights	18,511	15,871
Water testing	12,014	23,322
Dues and fees	2,333	75
Utilities	91,973	103,287
Chemicals	131,273	158,696
Office expense and postage	35,652	29,762
Telephone	12,869	14,578
Salaries and taxes	370,240	394,200
Employee benefits	60,825	66,587
Professional fees	8,938	10,799
Vehicle expense	28,434	57,762
Repairs and maintenance	524,867	427,610
Insurance	38,991	37,644
Uniforms	2,778	3,425
Depreciation	328,720	317,477
Miscellaneous	3,590	3,267
Total expenses from operations	1,672,008	1,664,362
Operating Income (Loss)	182,416	13,738
Non-Operating Revenues (Expenses):		
Interest income	14,769	1,902
ARPA grant proceeds	102,544	0
ARPA grant expenditures	(94,095)	0
FEMA grant proceeds	0	15,448
Interest paid on long-term debt	(97,975)	(100,234)
Membership income	77,000	55,150
Total Non-Operating Revenues (Expenses)	2,243	(27,734)
Change in Net Position	184,659	(13,996)
Total Net Position, beginning of period	4,827,075	4,841,071
Total Net Position, end of period	\$ 5,011,734	4,827,075

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, 2023

	2023	-Memorandum- -Only- 2022
Cash Flows from Operating Activities:		
Receipts from customers	\$ 1,827,602	1,693,548
Payments to employees	(362,995)	(394,201)
Payments to vendors	(935,577)	(872,570)
Net Cash Provided by Operating Activities	529,030	426,777
Cash Flows from Investing Activities:		
Membership income	77,000	55,150
ARPA grant revenue	102,544	0
ARPA grant expenditures	(94,095)	0
Interest earned on investments	14,769	1,902
Net Cash Provided by (used in) Investing Activities	100,218	57,052
Cash Flows from Capital and Related Financing Activities:		
Principal paid on long-term debt	(97,975)	(74,106)
Interest paid on long-term debt	(76,529)	(100,398)
Acquisition of capital assets	(126,791)	(95,717)
Net Cash Provided by (used in) Capital and Related Financing Activities	(301,295)	(270,221)
Net Increase (Decrease) in Cash	327,953	213,608
Cash and cash equivalents, beginning of period	720,707	507,099
Cash and cash equivalents, end of period	\$ 1,048,660	720,707

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

Operating Income	\$ 182,416	13,738
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	328,720	317,477
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(26,823)	5,951
(Increase) decrease in supplies inventory	0	88,059
(Increase) decrease in prepaid insurance	(3,877)	3,392
Increase (decrease) in accounts payable	48,594	(1,840)
Net cash provided by operating activities	\$ 529,030	426,777

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, 2023

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 2,300 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, 2023 are detailed as follows:

Cash on hand	\$	300
Arvest Bank, Eufaula, Ok-		
Operations account		259,304
Plus: Outstanding deposits		11,306
Less: Outstanding checks		(10,722)

Total Cash	\$	260,188

LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1
Pittsburg County, Oklahoma
Notes to the Financial Statements
December 31, 2023

Note A – Significant Accounting Policies – cont’d

Investments

The District’s investments as of December 31, 2023, are detailed as follows:

First Family Credit Union, Henryetta, OK	
Certificate of deposit (restricted), matures 2/4/24	\$ 175,000
Certificate of deposit, matures 2/6/24	35,000
Arvest Bank, Eufaula, OK	
Money market account	428,471
Wealth management account	150,000
Total Investments	\$ 788,471

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, 2023, the District held deposits of approximately \$1,047,775 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, 2023

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, 2023

Note A – Significant Accounting Policies – cont’d

Accounts Receivable

Billings for accounts receivable at December 31, 2023 were \$117,505. 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, 2023

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:

	12/31/2022 Amount	Additions	Deletions	12/31/2023 Amount
Land & easements	\$ 28,701	-	-	28,701
Buildings & improv.	316,955	-	-	316,955
Plant & Water system	10,809,277	126,791	-	10,936,068
Equipment & vehicles	1,466,616		-	1,466,616
Total Capital Assets	12,621,549	126,791	-	12,748,340
Less: Accumulated Depreciation	(5,384,972)	(328,720)	-	(5,713,692)
Total	\$ 7,236,577	(201,929)	-	7,034,648

LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1
Pittsburg County, Oklahoma
Notes to the Financial Statements
December 31, 2023

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,	
	2023	2022
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	\$ 3,230,030	3,306,390
Less: Current maturities of long-term debt	(78,679)	(76,356)
Total Long-Term Debt, Net	\$ 3,151,351	3,230,034

Restricted Accounts

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

Estimated future principal payments on the outstanding loan are as follows:

Year	USDA 91-08
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	507,230
Total	\$ 3,230,030

LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1
Pittsburg County, Oklahoma
Notes to the Financial Statements
December 31, 2023

Note B – Long-Term Debt

Debt Service Coverage Calculation:

Income (loss) from operations	\$	182,416
Add:		
Depreciation and amortization		328,720
Membership fees		77,000
Interest income		14,769
Income available for debt service	<u>\$</u>	<u>602,905</u>
Debt service:		
Interest expense	\$	76,529
Principal payments		97,975
Total debt service requirements	<u>\$</u>	<u>174,504</u>
Debt service coverage ratio		<u>3.5</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.

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.

LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1
Pittsburg County, Oklahoma
Notes to the Financial Statements
December 31, 2023

Note E – Pending Litigation

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

Note F – Subsequent Events

Management has evaluated subsequent events through March 20, 2024, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1
Pittsburg County, Oklahoma
Schedule of Water Rates and Customers
-Unaudited Information-
December 31, 2023

Water Rates:

Residential	=	\$ 40.00 minimum
Commercial (5/8")	=	\$ 45.00 minimum
Commercial (1")	=	\$ 60.00 minimum
Commercial (1 1/2")	=	\$ 75.00 minimum
Commercial (2")	=	\$ 85.00 minimum
1,001 - 4,000 gallons	=	\$ 6.20 per thousand
4,001 – 7,000 gallons	=	\$ 6.70 per thousand
7,001 – 10,000 gallons	=	\$ 8.00 per thousand
10,001 gallons and up	=	\$ 9.00 per thousand

Meters with multiple services is \$33.75 for each additional unit.

Water Loss:

	<u>2023</u>	<u>2022</u>
Total gallons pumped	167,779,636	170,179,000
Total gallons sold to District customers	<u>(102,537,868)</u>	<u>(121,250,650)</u>
Net Water loss	65,241,768	48,928,350
Less: water used for maintenance	<u>(3,809,345)</u>	<u>(3,597,651)</u>
Total unaccounted water loss	61,432,423	45,330,699
Percentage of water loss	<u>36.61%</u>	<u>26.64%</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 plus any additional costs for 1 1/2" Meter

Reinstatement of a benefit unit is \$100, if service has been terminated for less than six months. If service has been terminated for longer than six months, a new membership is required.