

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

**Financial Statements
and Reports of Independent Auditor**

December 31, 2024

Audited by

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

Broken Arrow, OK

Longtown Rural Water & Sewer District No. 1
Pittsburg County, Oklahoma
December 31, 2024

BOARD OF DIRECTORS

Chairman

Larry Turner

Vice-Chairman

Joe Troop

Secretary

Albert Opitz

Members

Justin McNeill

Bill McBee

FIELD MANAGER

Chris Loman

OFFICE MANAGER

Janice Shaver

BOOKKEEPER

Lacy Russell

Longtown Rural Water & Sewer District No. 1
Pittsburg County, Oklahoma
December 31, 2024

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BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

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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 financial statements of the business-type activities of the Longtown Rural Water & Sewer District No. 1, Pittsburg County, Oklahoma (the District), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Opinion

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

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

The prior year “memorandum only” comparative information and the supplemental information on page 29 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.

The accompanying financial statements and other supplementary information and schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements – regulatory basis and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2025, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

April 4, 2025

Longtown Rural Water & Sewer District No. 1
Pittsburg County, Oklahoma
Management's Discussion and Analysis
December 31, 2024

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, 2024. Please read it in conjunction with the District's financial statements that begin on page 17.

FINANCIAL HIGHLIGHTS:

- The District's total operating revenues exceeded total operating expenses by \$238,425 in 2024, an increase of \$56,009 compared to the prior year.
- The District's overall total net position increased by \$1,059,004 in the 2024 fiscal year.
- The District continued to make timely payments on their existing USDA loan.
- The District added \$1,193,592 in capital assets in the 2024 fiscal year, which primarily consisted of the water storage tank project, but also other equipment and additions. See page 8 for more details.
- Membership numbers remained consistent in 2024, with 2,296 total active users at fiscal year-end.

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.

The Financial Statements – cont'd

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

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

Net Position, and Changes in Net Position

The District's Net Position was higher in 2024, increasing from \$5,011,734 to \$6,070,738. Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the District's business-type activities.

Table 1 – Net Position:

	2024	2023	Variances
Current and other assets	\$ 1,370,339	1,279,361	90,978
Capital assets, net	7,873,109	7,034,648	838,461
Total Assets	<u>\$ 9,243,448</u>	<u>8,314,009</u>	<u>929,439</u>
Current liabilities	\$ 102,434	150,924	48,490
Long-term liabilities	3,070,276	3,151,351	81,075
Total Liabilities	<u>\$ 3,172,710</u>	<u>3,302,275</u>	<u>129,565</u>
Invest. In capital assets, net of related debt	\$ 4,721,761	3,804,619	917,142
Restricted	175,000	175,000	0
Unrestricted	1,173,977	1,032,115	141,862
Total Net Position	<u>\$ 6,070,738</u>	<u>5,011,734</u>	<u>1,059,004</u>

Net Position of the District increased by 21.13 percent (\$6,070,738 compared to \$5,011,734). 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 \$1,032,115 to \$1,173,977.

Table 2 – Changes in Net Position:

	<u>2024</u>	<u>2023</u>	<u>Variances</u>
Revenues:			
Charges for services	\$ 1,756,185	1,794,570	(38,385)
ARPA grant proceeds	836,381	102,544	733,837
Other collections	37,751	59,854	(22,103)
Membership income	54,000	77,000	(23,000)
Interest	25,845	14,769	11,076
Total Revenues	<u>2,710,162</u>	<u>2,048,737</u>	<u>661,425</u>
Expenses:			
Salaries, taxes and benefits	543,116	431,065	(112,051)
Maintenance and operations	445,711	699,366	253,655
Other expenses	211,553	306,952	95,399
Depreciation	355,131	328,720	(26,411)
Interest on debt	95,647	97,975	2,328
Total Expenses	<u>1,651,158</u>	<u>1,864,078</u>	<u>212,920</u>
Changes in Net Position	1,059,004	184,659	874,345
Net Position, Beginning	<u>5,011,734</u>	<u>4,827,075</u>	<u>184,659</u>
Net Position, Ending	<u>\$ 6,070,738</u>	<u>5,011,734</u>	<u>1,059,004</u>

The District's total revenues increased by 32.28 percent (\$661,425). The total cost of all expenses, not including expenses that have been capitalized, decreased by 11.42 percent (\$212,920).

Capital Assets

As of December 31, 2024, the District had \$7,873,109 invested in capital assets, net of depreciation, including land, the water plant and system, vehicles and equipment. Capital assets of \$1,193,592 were added in 2024, which included expenses incurred for the construction of the water storage tank, meters, hydrants, a skid steer and trailer, and construction expenses for the chemical building, file room and roof.

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, 2024, was \$3,151,348.

Economic Factors and Next Year's Budget and Rates

For the current fiscal year ending December 31, 2025, 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. 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.



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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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 4, 2025.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we 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.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

April 4, 2025



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Board of Directors
Longtown Rural Water & Sewer District No. 1
Pittsburg County, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Longtown Rural Water & Sewer District No. 1, Pittsburg County, Oklahoma's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2024. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Audit Results, Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

April 4, 2025

Longtown Rural Water & Sewer District No. 1
Pittsburg County, Oklahoma
Disposition of Prior Year's Significant Deficiencies and Material Instances of
Noncompliance
December 31, 2024

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, 2024

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.
4. 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 major programs.
5. An unmodified report was issued on the compliance for major programs in conformity with the accrual basis of accounting.
6. The audit disclosed no audit findings which are required to be reported under the Uniform Guidance, 2 CFR 200.51(a).
7. Programs determined to be major were the Coronavirus State and Local Fiscal Recovery Funds Program (21.027), which was not clustered in determination.
8. The dollar threshold used to determine between Type A and Type B programs was \$750,000.
9. The auditee was determined not to be a low-risk auditee.

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

NONE

Section 3 – Findings and questioned costs for federal awards:

NONE

LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1
Pittsburg County, Oklahoma
Statement of Net Position
December 31, 2024

	<u>December 31,</u>	
	<u>2024</u>	<u>-Memorandum- -Only- 2023</u>
<u>ASSETS</u>		
Current Assets:		
Cash accounts	\$ 820,181	260,189
Investments	135,000	613,471
Current portion of receivables	126,238	117,505
Inventory of supplies	91,841	91,841
Prepaid assets	21,079	20,355
Total current assets	<u>1,194,339</u>	<u>1,103,361</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	338,705	316,955
Equipment and vehicles	1,579,001	1,466,616
Plant and water systems	11,995,525	10,936,068
Less: Accumulated depreciation	<u>(6,068,823)</u>	<u>(5,713,692)</u>
Total capital assets (net)	<u>7,873,109</u>	<u>7,034,648</u>
Other assets:		
ORWA water assistance certificate	<u>1,000</u>	<u>1,000</u>
TOTAL ASSETS	<u>\$ 9,243,448</u>	<u>8,314,009</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Customer deposits	\$ 1,800	1,800
Accounts payable	12,569	63,277
Accrued liabilities	6,993	7,168
Current portion of long-term debt	81,072	78,679
Total current liabilities	<u>102,434</u>	<u>150,924</u>
Non-current Liabilities:		
Notes payable, less current maturities	<u>3,070,276</u>	<u>3,151,351</u>
Total Liabilities	<u>3,172,710</u>	<u>3,302,275</u>
<u>NET POSITION</u>		
Net investment in capital assets	4,721,761	3,804,618
Restricted for debt service	175,000	175,000
Unrestricted assets	<u>1,173,977</u>	<u>1,032,116</u>
Total Net Position	<u>6,070,738</u>	<u>5,011,734</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,243,448</u>	<u>8,314,009</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
Statement of Revenue, Expenses and Changes in Net Position
For The Year Ended December 31, 2024

	<u>2024</u>	<u>-Memorandum- -Only- 2023</u>
Operating Revenues:		
Water sales and services	\$ 1,756,185	1,794,570
Miscellaneous	37,751	59,854
Total revenue from operations	<u>1,793,936</u>	<u>1,854,424</u>
Operating Expenses:		
Water rights	13,779	18,511
Water testing	10,975	12,014
Dues and fees	2,218	2,333
Utilities	88,220	91,973
Chemicals	185,582	131,273
Office expense and postage	29,017	35,652
Telephone	17,023	12,869
Salaries and taxes	475,384	370,240
Employee benefits	67,732	60,825
Professional fees	10,270	8,938
Vehicle expense	70,944	28,434
Repairs and maintenance	174,032	524,867
Insurance	46,358	38,991
Uniforms	4,178	2,778
Depreciation	355,131	328,720
Miscellaneous	4,668	3,590
Total expenses from operations	<u>1,555,511</u>	<u>1,672,008</u>
Operating Income (Loss)	238,425	182,416
Non-Operating Revenues (Expenses):		
Interest income	25,845	14,769
ARPA grant proceeds	836,381	102,544
ARPA grant expenditures (not capitalized)	0	(94,095)
Interest paid on long-term debt	(95,647)	(97,975)
Membership income	54,000	77,000
Total Non-Operating Revenues (Expenses)	<u>820,579</u>	<u>2,243</u>
Change in Net Position	1,059,004	184,659
Total Net Position, beginning of period	<u>5,011,734</u>	<u>4,827,075</u>
Total Net Position, end of period	<u><u>\$ 6,070,738</u></u>	<u><u>5,011,734</u></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
Statement of Cash Flows
For the Year Ended December 31, 2024

	<u>2024</u>	<u>-Memorandum- -Only- 2023</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 1,785,203	1,827,602
Payments to employees	(415,839)	(362,995)
Payments to vendors	(835,974)	(935,577)
Net Cash Provided by Operating Activities	<u>533,390</u>	<u>529,030</u>
Cash Flows from Investing Activities:		
Membership income	54,000	77,000
ARPA grant revenue	836,381	102,544
ARPA grant expenditures (not capitalized)	0	(94,095)
Interest earned on investments	25,845	14,769
Net Cash Provided by (used in) Investing Activities	<u>916,226</u>	<u>100,218</u>
Cash Flows from Capital and Related Financing Activities:		
Principal paid on long-term debt	(78,857)	(76,529)
Interest paid on long-term debt	(95,647)	(97,975)
Acquisition of capital assets (includes ARPA expenditures)	(1,193,591)	(126,791)
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>(1,368,095)</u>	<u>(301,295)</u>
Net Increase (Decrease) in Cash	81,521	327,953
Cash and cash equivalents, beginning of period	<u>1,048,660</u>	<u>720,707</u>
Cash and cash equivalents, end of period	<u>\$ 1,130,181</u>	<u>1,048,660</u>

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

Operating Income	\$ 238,425	182,416
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	355,131	328,720
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(8,733)	(26,823)
(Increase) decrease in prepaid insurance	(725)	(3,877)
Increase (decrease) in accounts payable	(50,708)	48,594
Net cash provided by operating activities	<u><u>\$ 533,390</u></u>	<u><u>529,030</u></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, 2024

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, 2024, are detailed as follows:

Cash on hand	\$ 300
Arvest Bank, Eufaula, Ok-	
Operations account	188,868
Sweep account	756,001
Checking account	(100)
Plus: Outstanding deposits	5,587
Less: Outstanding checks	<u>(130,475)</u>
Total Cash	<u><u>\$ 820,181</u></u>

LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1
Pittsburg County, Oklahoma
Notes to the Financial Statements
December 31, 2024

Note A – Significant Accounting Policies – cont'd

Investments

The District's investments as of December 31, 2024, are detailed as follows:

First Family Credit Union, Henryetta, OK:		
Certificate of deposit (restricted), matures 2/4/25	\$	175,000
Certificate of deposit, matures 2/4/25		35,000
Arvest Bank, Eufaula, OK:		
Money market account		
Wealth management account		100,000
Total Investments	\$	310,000

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, 2024, the District held deposits of approximately \$1,254,769 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, 2024

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, 2024

Note A – Significant Accounting Policies – cont'd

Accounts Receivable

Billings for accounts receivable at December 31, 2024, were \$126,238. 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, 2024

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 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:

	12/31/2023			12/31/2024
	Amount	Additions	Deletions	Amount
Land & easements	\$ 28,701	-	-	28,701
Buildings & improv.	316,955	21,750	-	338,705
Plant & Water system	10,936,068	1,059,457	-	11,995,525
Equipment & vehicles	1,466,616	112,385	-	1,579,001
Total Capital Assets	12,748,340	1,193,592	-	13,941,932
Less: Accumulated Depreciation	(5,713,692)	(355,131)	-	(6,068,823)
Total	<u>\$ 7,034,648</u>	<u>838,461</u>	<u>-</u>	<u>7,873,109</u>

LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1
Pittsburg County, Oklahoma
Notes to the Financial Statements
December 31, 2024

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,	
	2024	2023
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	\$ 3,151,348	3,230,030
Less: Current maturities of long-term debt	(81,072)	(78,679)
Total Long-Term Debt, Net	<u>\$ 3,070,276</u>	<u>3,151,351</u>

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

Year	USDA 91-08
2025	\$ 81,072
2026	83,538
2027	86,079
2028	88,697
2029	91,395
2030-34	500,403
2035-39	581,276
2040+	<u>1,638,888</u>
Total	<u>\$ 3,151,348</u>

LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1
Pittsburg County, Oklahoma
Notes to the Financial Statements
December 31, 2024

Note B – Long-Term Debt

Debt Service Coverage Calculation:

Income (loss) from operations	\$ 238,425
Add:	
Depreciation and amortization	355,131
Membership fees	54,000
Interest income	25,845
Income available for debt service	<u>\$ 673,401</u>
Debt service:	
Interest expense	\$ 95,647
Principal payments	78,857
Total debt service requirements	<u>\$ 174,504</u>
Debt service coverage ratio	<u>3.9</u>

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.

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, 2024

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 April 4, 2025, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Balance at 1/1/24</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Balance at 12/31/24</u>
Department of the Treasury - <u>Passed Through Oklahoma Water Resources Board:</u>						
Coronavirus State and Fiscal Local Recovery Funds (SLFRF)	21.027	<u>\$ 1,000,000</u>	<u>905,905</u>	<u>836,381</u>	<u>836,381</u>	<u>69,524</u>

Notes to Schedule of Expenditures of Federal Awards:

Basis of Presentation - The schedule of federal awards (the "Schedule" includes the federal awards activity of the District under programs of the federal government for the year ended December 31, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the net position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

LONGTOWN RURAL WATER & SEWER DISTRICT NO. 1
Pittsburg County, Oklahoma
Schedule of Water Rates and Customers
-Unaudited Information-
December 31, 2024

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	=	\$ 6.25 per thousand
4,001 – 7,000 gallons	=	\$ 6.75 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.

Customers:

The District had 2,296 active accounts at the close of the fiscal year.

Water membership fees –

 \$ 1,750 for 5/8" meter

 \$ 1,900 for 5'8" commercial 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.



BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

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April 4, 2025

Board of Directors
Longtown Rural Water & Sewer District No. 1
Pittsburg County, Oklahoma

Listed below are the observations and recommendations from the final audit work we performed for you. Please review them very carefully, along with the review copy of your audit report. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

The following section contains the observations relayed to management that are control deficiencies, which we feel need to be communicated to you so appropriate action may be taken to correct these deficiencies. These items are not included or referred to in your audit report, as they are not considered material or immaterial. They are observations that could evolve into immaterial or material findings if not addressed or corrected.

Board Meetings

During the audit, we observed that the 2025 calendar of meeting dates was approved by the Board; however, the dates were not submitted to the County Clerk until January 17, 2025. Oklahoma Statutes require that each governing board provide written notice to the County Clerk of all upcoming meetings for each calendar year by December 15th of the previous year.

Inventory Records

During the audit, we observed that inventory records of supplies were not being properly maintained. We recommend that inventory of supplies be tracked and recorded at least quarterly, and a year-end count of all supplies and materials on hand be done on December 31. A copy of this report (showing the item name, number on hand and value) be given to the board and provided for the annual audit.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,

A handwritten signature in dark ink, appearing to read 'E. Bledsoe', with a long horizontal flourish extending to the right.

Eric M. Bledsoe