

RURAL WATER DISTRICT #1,  
CADDO COUNTY, LOOKEBA, OKLAHOMA

FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT

DECEMBER 31, 2017 AND 2016

**RURAL WATER DISTRICT #1  
CADDO COUNTY, LOOKEBA, OKLAHOMA  
DIRECTORS AND OFFICERS  
DECEMBER 31, 2017**

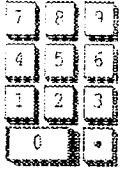
Chairman  
Vice-Chairman  
Secretary-Treasurer  
Member

Frank Klassen  
Jeffery Hollis  
Sandra Vargas  
Bill Johnston

**RURAL WATER DISTRICT #1  
CADDO COUNTY, LOOKEBA, OKLAHOMA  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Rural Water District #1, Caddo County  
Lookeba, Oklahoma

We have audited the basic financial statements of the Rural Water District #1, Caddo County, (the District), a component unit of the Town of Lookeba, Oklahoma, as of and for the year ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Rural Water District #1, Caddo County, basic financial statements as listed in the table of contents.

### **Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Water District #1, Caddo County, as of December 31, 2017 and 2016, and the changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### Required Supplementary Information

The District has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued a report dated January 16, 2019 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws,

regulations, contracts, and grants agreements and other matters. The purpose of that report is 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 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.

*McCulley & McCulley*

Weatherford, Oklahoma

January 16, 2019

**RURAL WATER DISTRICT #1, CADDO COUNTY  
 LOOKEBA, OKLAHOMA  
 BALANCE SHEETS  
 DECEMBER 31, 2017 AND 2016**

	<b>DECEMBER 31,</b>	
<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>CURRENT ASSETS</b>		
Petty Cash	\$ 100	\$ 100
Cash in Bank	83,119	67,068
Certificate of Deposits	33,793	33,733
Restricted Assets:		
Cash in Bank	5,272	5,172
Accounts Receivable, Net of Allowance for Loss	5,271	5,148
Prepaid Assets	715	684
Accrued Interest Receivable	25	23
<b>TOTAL CURRENT ASSETS</b>	<b>128,295</b>	<b>111,928</b>
<b>NONCURRENT ASSETS</b>		
Capital Assets, Net of Accumulated Depreciation	176,168	156,982
<b>TOTAL ASSETS</b>	<b>\$ 304,463</b>	<b>\$ 268,910</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,274	\$ 1,426
Accrued Payroll Liabilities	1,924	2,053
Customer Meter Deposits	5,272	5,172
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,470</b>	<b>8,651</b>
<b>LONG-TERM LIABILITIES</b>		
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>0</b>	<b>0</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	176,168	156,982
Unrestricted	119,825	103,277
<b>TOTAL NET POSITION</b>	<b>295,993</b>	<b>260,259</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 304,463</b>	<b>\$ 268,910</b>

The accompanying notes are an integral part of these statements.

**RURAL WATER DISTRICT #1, CADDO COUNTY  
 LOOKEBA, OKLAHOMA  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 FOR THE YEAR ENDING DECEMBER 31, 2017 AND 2016**

	<b>DECEMBER 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>OPERATING REVENUES</b>		
Water Sales	\$ 29,134	\$ 29,592
Sewer Sales	6,560	6,839
Garbage Sales	25,072	24,894
Late Charges and Penalties	2,548	3,209
Insurance Rebate	472	426
Other Revenue	843	1,758
<b>TOTAL OPERATING REVENUES</b>	<b>64,629</b>	<b>66,718</b>
<b>OPERATING EXPENSES</b>		
Director Fees	2,000	2,500
Compensation and Benefits	26,816	26,270
Contract Labor	3,905	2,485
Depreciation	12,998	12,162
Bad Debt Expense	178	744
Repairs and Maintenance	3,479	4,539
Insurance	1,809	1,825
Utilities	3,793	4,369
Professional Services	1,900	1,900
Office Supplies	682	1,453
Licenses, Dues, and Subscriptions		196
Solid Waste Disposal	13,098	13,392
Miscellaneous Expense	3,395	3,611
<b>TOTAL OPERATING EXPENSES</b>	<b>74,053</b>	<b>75,446</b>
<b>OPERATING (LOSS)</b>	<b>(9,424)</b>	<b>(8,728)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Sale of Assets		1,100
Contributed Capital	45,000	
Interest Income	158	166
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>45,158</b>	<b>1,266</b>
<b>CHANGE IN NET POSITION</b>	<b>35,734</b>	<b>(7,462)</b>
<b>NET POSITION</b>		
Beginning of Year	260,259	267,721
End of Year	\$ 295,993	\$ 260,259

The accompanying notes are an integral part of these statements.



**RURAL WATER DISTRICT #1, CADDO COUNTY  
 LOOKEBA, OKLAHOMA  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDING DECEMBER 31, 2017 AND 2016**

	<b>DECEMBER 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	\$	\$
Cash Received from Customers	64,567	66,497
Cash Paid to Employees and Benefits	(28,945)	(28,405)
Cast Paid for Goods and Services	<u>(32,383)</u>	<u>(34,962)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>3,239</u>	<u>3,130</u>
<b>CASH FLOWS FROM NONFINANCING ACTIVITIES</b>		
Sale of Assets		<u>1,100</u>
<b>NET CASH PROVIDED BY NONFINANCING ACTIVITIES</b>	<u>0</u>	<u>1,100</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Capital Assets	(19,999)	(12,815)
Contributed Capital from Town	32,815	
Interest Received on Cash and Certificate of Deposits	<u>156</u>	<u>166</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>12,972</u>	<u>(12,649)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	16,211	(8,419)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of Year	<u>106,073</u>	<u>114,492</u>
End of Year	<u>\$ 122,284</u>	<u>\$ 106,073</u>
<b>Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating (Loss)	<u>\$ (9,424)</u>	<u>\$ (8,728)</u>
Adjustments to Operating (Loss) to Net Cash Provided by Operating Activities		
Depreciation	12,998	12,162
Changes in Assets and Liabilities:		
(Increase) in Accounts Receivable	(162)	(521)
Increase in Allowance for Bad Debts	39	702
(Increase) in Prepaid Assets	(31)	(64)
(Decrease) in Accounts Payable	(152)	(1,086)
Increase (Decrease) in Accrued Payroll Liabilities	(129)	365
Increase in Customer Deposits	<u>100</u>	<u>300</u>
Total Adjustments	<u>12,663</u>	<u>11,858</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 3,239</u>	<u>\$ 3,130</u>

Note: Noncash contributed capital from Town of \$12,185 for purchases of capital assets included in the financial statements.

The accompanying notes are an integral part of these statements.

**RURAL WATER DISTRICT #1  
CADDO COUNTY, LOOKEBA, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2017 AND 2016**

**Note 1 - Significant Accounting Policies**

The accounting policies of the Rural Water District #1, Caddo County, (the District) conform to generally accepted accounting principles of the United States of America as applicable to an enterprise fund of government organizations. The following is a summary of the more significant current accounting policies.

**A. The Reporting Entity.**

The District provides water, sewer, and garbage services to its members within its geographic boundaries. The District is governed by a seven member Board of Directors who is elected by the participating members. These financial statements include all of the funds under the control of the Board of Directors relevant to the operations of the District. These members of the Board of Directors are also members of the Town Board of Trustees. Based upon the Bylaws of the District, and the use of common offices, employees, and Board members, it appears that the District should be a component unit of the Town of Lookeba, Oklahoma. Financial information concerning the Town of Lookeba, Oklahoma, is available from the Town of Lookeba, Oklahoma.

**B. Basis of Presentation.**

The activities of the District are organized into a single fund, an enterprise fund (proprietary fund type).

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, accountability, or other purposes.

**RURAL WATER DISTRICT #1  
CADDO COUNTY, LOOKEBA, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2017 AND 2016**

**Note 1 - Significant Accounting Policies - (continued)**

**C. Basis of Accounting.**

Basis of accounting refers as to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement focus applied.

Enterprise funds use the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the obligation is incurred.

**D. Capital Assets.**

All capital assets are valued at historical cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets are depreciated on the straight-line basis over the estimated useful life of the asset. A summary of capital assets and the service lives by type of asset at December 31, 2017 and 2016, are as follows:

	<u>Estimated Useful Life</u>
Water and Sewer Improvements	10 - 40 yrs.
Furniture and Equipment	3 - 7 yrs.

**E. Allowance for Losses.**

Allowance for losses on receivables are recorded when management believes a receivable is uncollectible. Management periodically reviews its receivables to determine what is collectible.

**RURAL WATER DISTRICT #1  
CADDO COUNTY, LOOKEBA, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2017 AND 2016**

**Note 1 - Significant Accounting Policies - (continued)**

**F. Net Position**

Net position is classified into three components:

1. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes payable attributable to these assets.
2. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets have constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional revisions or enabling legislation.
3. Unrestricted - Net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

**Note 2 - Cash and Certificate of Deposits.**

The District's cash in bank and certificate of deposits at December 31, 2017 and 2016, are secured by federal deposit insurance or collateralized by the bank. Certificate of deposits are recorded at cost, which approximates market value. Certificates of deposits are authorized and legal investments. The District's petty cash, cash in bank (including restricted assets), and certificate of deposits are considered to be cash equivalents for purposes of the Statement of Cash Flows.

**Note 3 - Accounts Receivable.**

Accounts receivable consists of billed and unbilled receivables as shown below:

	December 31,	
	2017	2016
Charges for Services	\$7,066	\$ 6,904
Allowance for Losses	(1,795)	(1,756)
Net Accounts Receivable	\$5,271	\$ 5,148

**RURAL WATER DISTRICT #1  
CADDO COUNTY, LOOKEBA, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2017 AND 2016**

**Note 4 - Restricted Assets.**

Restricted assets consist of cash restricted for customer deposits which are offset by a related liability payable.

**Note 5 - Capital Assets.**

Capital assets consist of the following:

	Dec 31, 2016	Additions	Deletions	Dec 31, 2017
Land **	\$ 2,020	\$	\$	\$ 2,020
Equipment	24,242			24,242
Sewer Improvements	10,488			10,488
Water Improvements	<u>496,335</u>	<u>32,184</u>		<u>528,519</u>
 Total Capital Assets	 <u>533,085</u>	 <u>32,184</u>	 <u>-0-</u>	 <u>565,269</u>
 Less Accumulated Depreciation for:				
Equipment	21,174	1,337		22,511
Sewer Improvements	6,240	231		6,471
Water Improvements	<u>348,689</u>	<u>11,430</u>		<u>360,119</u>
 Total Accumulated Depreciation	 <u>376,103</u>	 <u>12,998</u>		 <u>389,101</u>
 Net Capital Assets	 <u>\$ 156,982</u>	 <u>\$ 19,186</u>	 <u>\$ -0-</u>	 <u>\$ 176,168</u>

\*\* non-depreciable asset

**RURAL WATER DISTRICT #1  
CADDO COUNTY, LOOKEBA, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2017 AND 2016**

**Note 5 - Capital Assets (continued).**

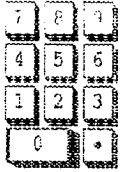
	Dec 31, 2015	Additions	Deletions	Dec 31, 2016
Land **	\$ 2,020	\$	\$	\$ 2,020
Equipment	26,907		(2,665)	24,242
Sewer Improvements	10,488			10,488
Water Improvements	483,520	12,815		496,335
 Total Capital Assets	<u>522,935</u>	<u>12,815</u>	<u>(2,665)</u>	<u>533,085</u>
 Less Accumulated Depreciation for:				
Equipment	22,464	1,375	(2,665)	21,174
Sewer Improvements	6,009	231		6,240
Water Improvements	338,133	10,556		348,689
 Total Accumulated Depreciation	<u>366,606</u>	<u>12,162</u>	<u>(2,665)</u>	<u>376,103</u>
 Net Capital Assets	<u>\$ 156,329</u>	<u>\$ 653</u>	<u>\$ -0-</u>	<u>\$ 156,982</u>

\*\* non-depreciable asset

**Note 6 - Risk Management.**

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 purchases commercial insurance to manage these risks of loss and retains a deductible ranging from \$500 to \$1,000.

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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  
Rural Water District #1, Caddo County  
Lookeba, Oklahoma

We have audited, in accordance with the 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 Rural Water District # 1, Caddo County, as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated January 16, 2019. The District has elected to omit the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Rural Water District # 1, Caddo County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instance of noncompliance or other matters that is required to be reported herein 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 District'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.

*McCulley & McCulley*

Weatherford, Oklahoma

January 16, 2019



RURAL WATER DISTRICT #1  
CADDO COUNTY, LOOKEBA, OKLAHOMA  
UPDATE ON PRIOR YEAR'S AUDIT FINDINGS  
DECEMBER 31, 2017

None made.