

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

FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

DECEMBER 31, 2019 AND 2018

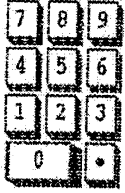
**RURAL WATER DISTRICT #1
CADDO COUNTY, LOOKEBA, OKLAHOMA
DIRECTORS AND OFFICERS
DECEMBER 31, 2019**

Chairman	Jeffery Hollis
Vice-Chairman	
Secretary-Treasurer	Sandra Vargas
Member	Bill Johnston
Member	David Sutton
Member	Anthony Delno
Member	Tracy Williams

**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, 2019 and 2018, 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, 2019 and 2018, 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 October 6, 2020 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 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.

McCulley & McCulley

Weatherford, Oklahoma

October 6, 2020

**RURAL WATER DISTRICT #1, CADDO COUNTY
 LOOKEBA, OKLAHOMA
 BALANCE SHEETS
 DECEMBER 31, 2019 AND 2018**

	DECEMBER 31,	
	2019	2018
ASSETS		
CURRENT ASSETS		
Petty Cash	\$ 100	\$ 100
Cash in Bank	44,905	53,855
Certificate of Deposits	33,912	33,852
Restricted Assets:		
Cash in Bank	5,782	5,471
Accounts Receivable, Net of Allowance for Loss	6,278	6,076
Prepaid Assets	1,202	775
Accrued Interest Receivable	23	25
TOTAL CURRENT ASSETS	92,202	100,154
NONCURRENT ASSETS		
Capital Assets, Net of Accumulated Depreciation	190,561	202,106
TOTAL ASSETS	\$ 282,763	\$ 302,260
LIABILITIES AND NET POSITION		
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 2,571	\$ 4,586
Accrued Payroll Liabilities	2,213	1,845
Customer Meter Deposits	5,782	5,471
TOTAL CURRENT LIABILITIES	10,566	11,902
LONG-TERM LIABILITIES		
TOTAL LONG-TERM LIABILITIES	0	0
NET POSITION		
Net Investment in Capital Assets	190,561	202,106
Unrestricted	81,636	88,252
TOTAL NET POSITION	272,197	290,358
TOTAL LIABILITIES AND NET POSITION	\$ 282,763	\$ 302,260

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, 2019 AND 2018**

	DECEMBER 31,	
	2019	2018
OPERATING REVENUES		
Water Sales	\$ 32,554	\$ 31,631
Sewer Sales	7,082	7,024
Garbage Sales	25,786	26,521
Late Charges and Penalties	1,831	2,508
Insurance Rebate	552	491
Other Revenue	824	645
TOTAL OPERATING REVENUES	68,629	68,820
OPERATING EXPENSES		
Director Fees	2,500	2,000
Compensation and Benefits	30,775	26,525
Contract Labor	1,890	2,770
Depreciation	15,417	13,909
Bad Debt Expense (Recovery)	832	(1,206)
Repairs and Maintenance	6,761	4,182
Insurance	2,455	1,819
Utilities	6,320	4,081
Professional Services	2,000	2,000
Office Supplies	1,753	1,073
Licenses, Dues, and Subscriptions	170	
Solid Waste Disposal	13,553	14,351
Miscellaneous Expense	2,505	3,115
TOTAL OPERATING EXPENSES	86,931	74,619
OPERATING (LOSS)	(18,302)	(5,799)
NONOPERATING REVENUES (EXPENSES)		
Sale of Assets		
Contributed Capital		
Interest Income	141	164
TOTAL NONOPERATING REVENUES (EXPENSES)	141	164
CHANGE IN NET POSITION	(18,161)	(5,635)
NET POSITION		
Beginning of Year	290,358	295,993
End of Year	\$ 272,197	\$ 290,358

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, 2019 AND 2018**

	DECEMBER 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES	\$	\$
Cash Received from Customers	68,515	69,450
Cash Paid to Employees and Benefits	(32,907)	(28,604)
Cast Paid for Goods and Services	(40,458)	(30,169)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(4,850)	10,677
CASH FLOWS FROM NONFINANCING ACTIVITIES		
Sale of Assets		
NET CASH PROVIDED BY NONFINANCING ACTIVITIES	0	0
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Capital Assets	(3,872)	(39,847)
Contributed Capital from Town		
Interest Received on Cash and Certificate of Deposits	143	164
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(3,729)	(39,683)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,579)	(29,006)
CASH AND CASH EQUIVALENTS		
Beginning of Year	93,278	122,284
End of Year	\$ 84,699	\$ 93,278
Reconciliation of Operating (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Operating (Loss)	\$ (18,302)	\$ (5,799)
Adjustments to Operating (Loss) to Net Cash Provided by (Used for) Operating Activities		
Depreciation	15,417	13,909
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(425)	431
Increase (Decrease) in Allowance for Bad Debts	223	(1,236)
(Increase) in Prepaid Assets	(427)	(60)
Increase (Decrease) in Accounts Payable	(2,015)	3,312
Increase (Decrease) in Accrued Payroll Liabilities	368	(79)
Increase in Customer Deposits	311	199
Total Adjustments	13,452	16,476
Net Cash Provided by (Used for) Operating Activities	\$ (4,850)	\$ 10,677

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, 2019 AND 2018**

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, 2019 AND 2018**

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, 2019 and 2018, are as follows:

	<u>Estimated Useful Life</u>
Building and Improvements	10 - 39 yrs.
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, 2019 AND 2018**

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, 2019 and 2018, 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,	
	2019	2018
Charges for Services	\$7,060	\$ 6,635
Allowance for Losses	(782)	(559)
Net Accounts Receivable	\$6,278	\$ 6,076

**RURAL WATER DISTRICT #1
CADDO COUNTY, LOOKEBA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2019 AND 2018**

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, 2018	Additions	Deletions	Dec 31, 2019
Land **	\$ 2,020	\$	\$	\$ 2,020
Buildings & Improve.	36,955	2,800		39,755
Equipment	27,134	1,072	(395)	27,811
Sewer Improvements	10,488			10,488
Water Improvements	528,519			528,519
 Total Capital Assets	 <u>605,116</u>	 <u>3,872</u>	 <u>(395)</u>	 <u>608,593</u>
 Less Accumulated Depreciation for:				
Buildings & Improve.		2,074		2,074
Equipment	24,133	1,057	(395)	24,795
Sewer Improvements	6,702	231		6,933
Water Improvements	372,175	12,055		384,230
 Total Accumulated Depreciation	 <u>403,010</u>	 <u>15,417</u>	 <u>(395)</u>	 <u>418,032</u>
 Net Capital Assets	 <u>\$ 202,106</u>	 <u>\$ (11,545)</u>	 <u>\$ -0-</u>	 <u>\$ 190,561</u>

The District wrote off \$395 of fully depreciated obsolete assets.

** non-depreciable asset

**RURAL WATER DISTRICT #1
CADDO COUNTY, LOOKEBA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2019 AND 2018**

Note 5 - Capital Assets (continued).

	Dec 31, 2017	Additions	Deletions	Dec 31, 2018
Land **	\$ 2,020	\$	\$	\$ 2,020
Buildings & Improve.		36,955		36,955
Equipment	24,242	2,892		27,134
Sewer Improvements	10,488			10,488
Water Improvements	528,519			528,519
Total Capital Assets	565,269	39,847		605,116
Less Accumulated Depreciation for:				
Equipment	22,511	1,622		24,133
Sewer Improvements	6,471	231		6,702
Water Improvements	360,119	12,056		372,175
Total Accumulated Depreciation	389,101	13,909		403,010
Net Capital Assets	\$ 176,168	\$ 25,938	\$ -0-	\$ 202,106

** non-depreciable asset

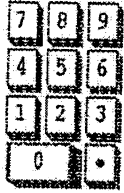
Note 6 - Risk Management.

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.

Note 7 - Subsequent Event - Worldwide Pandemic.

In the spring of 2020, the nation has been experiencing an economic downturn due to the rise of an infectious disease that has become rampant throughout the world. The District has delayed charging late fees and cutting off delinquent utility bills as a result. The total economic effect of this 2020 pandemic situation on the District is unknown. How long the pandemic will last and its long term effect on the District is also not known.

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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, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated October 6, 2020. 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

October 6, 2020

RURAL WATER DISTRICT #1
CADDO COUNTY, LOOKEBA, OKLAHOMA
UPDATE ON PRIOR YEAR'S AUDIT FINDINGS
DECEMBER 31, 2019

None made.