

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

FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT

DECEMBER 31, 2020 AND 2019

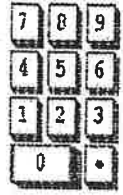
**RURAL WATER DISTRICT #1  
CADDO COUNTY, LOOKEBA, OKLAHOMA  
DIRECTORS AND OFFICERS  
DECEMBER 31, 2020**

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, 2020 and 2019, 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, 2020 and 2019, 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 November 11, 2021 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

November 11, 2021

**RURAL WATER DISTRICT #1, CADDO COUNTY  
 LOOKEBA, OKLAHOMA  
 BALANCE SHEETS  
 DECEMBER 31, 2020 AND 2019**

	<b>DECEMBER 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Petty Cash	\$ 100	\$ 100
Cash in Bank	29,322	44,905
Certificate of Deposits	33,972	33,912
Restricted Assets:		
Cash in Bank	5,782	5,782
Accounts Receivable, Net of Allowance for Loss	6,099	6,278
Prepaid Assets	1,198	1,202
Accrued Interest Receivable	23	23
<b>TOTAL CURRENT ASSETS</b>	<b>76,496</b>	<b>92,202</b>
<b>NONCURRENT ASSETS</b>		
Capital Assets, Net of Accumulated Depreciation	194,571	190,561
<b>TOTAL ASSETS</b>	<b>\$ 271,067</b>	<b>\$ 282,763</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 4,407	\$ 2,571
Accrued Payroll Liabilities	2,097	2,213
Customer Meter Deposits	5,782	5,782
<b>TOTAL CURRENT LIABILITIES</b>	<b>12,286</b>	<b>10,566</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	194,571	190,561
Unrestricted	64,210	81,636
<b>TOTAL NET POSITION</b>	<b>258,781</b>	<b>272,197</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 271,067</b>	<b>\$ 282,763</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, 2020 AND 2019**

	<b>DECEMBER 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>OPERATING REVENUES</b>		
Water Sales	\$ 40,452	\$ 32,554
Sewer Sales	7,848	7,082
Garbage Sales	24,870	25,786
Late Charges and Penalties	673	1,831
Insurance Rebate	740	552
Other Revenue	225	824
<b>TOTAL OPERATING REVENUES</b>	<b>74,808</b>	<b>68,629</b>
<b>OPERATING EXPENSES</b>		
Director Fees	3,000	2,500
Compensation and Benefits	33,538	30,775
Contract Labor	951	1,890
Depreciation	15,265	15,417
Bad Debt Expense	429	832
Repairs and Maintenance	5,842	6,761
Insurance	2,574	2,455
Utilities	4,796	6,320
Professional Services	2,100	2,000
Office Supplies	2,120	1,753
Licenses, Dues, and Subscriptions	171	170
Solid Waste Disposal	14,215	13,553
Miscellaneous Expense	3,353	2,505
<b>TOTAL OPERATING EXPENSES</b>	<b>88,354</b>	<b>86,931</b>
<b>OPERATING (LOSS)</b>	<b>(13,546)</b>	<b>(18,302)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	130	141
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>130</b>	<b>141</b>
<b>CHANGE IN NET POSITION</b>	<b>(13,416)</b>	<b>(18,161)</b>
<b>NET POSITION</b>		
Beginning of Year	272,197	290,358
End of Year	<b>\$ 258,781</b>	<b>\$ 272,197</b>

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, 2020 AND 2019**

	<b>DECEMBER 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	\$	\$
Cash Received from Customers	75,019	68,515
Cash Paid to Employees and Benefits	(36,654)	(32,907)
Cast Paid for Goods and Services	(34,743)	(40,458)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>3,622</b>	<b>(4,850)</b>
<b>CASH FLOWS FROM NONFINANCING ACTIVITIES</b>		
<b>NET CASH PROVIDED BY NONFINANCING ACTIVITIES</b>	<b>0</b>	<b>0</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Capital Assets	(19,275)	(3,872)
Interest Received on Cash and Certificate of Deposits	130	143
<b>NET CASH (USED FOR) INVESTING ACTIVITIES</b>	<b>(19,145)</b>	<b>(3,729)</b>
<b>(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(15,523)</b>	<b>(8,579)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of Year	84,699	93,278
End of Year	\$ 69,176	\$ 84,699
<b>Reconciliation of Operating (Loss) to Net Cash    Provided by (Used for) Operating Activities:</b>		
Operating (Loss)	\$ (13,546)	\$ (18,302)
Adjustments to Operating (Loss) to Net Cash Provided by (Used for) Operating Activities		
Depreciation	15,265	15,417
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	211	(425)
Increase (Decrease) in Allowance for Bad Debts	(32)	223
(Increase) Decrease in Prepaid Assets	4	(427)
Increase (Decrease) in Accounts Payable	1,836	(2,015)
Increase (Decrease) in Accrued Payroll Liabilities	(116)	368
Increase in Customer Deposits	311	311
Total Adjustments	<b>17,168</b>	<b>13,452</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 3,622</b>	<b>\$ (4,850)</b>

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, 2020 AND 2019**

**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, 2020 AND 2019**

**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, 2020 and 2019, 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, 2020 AND 2019**

**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 of 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, 2020 and 2019, 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.

**RURAL WATER DISTRICT #1  
CADDO COUNTY, LOOKEBA, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2020 AND 2019**

**Note 3 - Accounts Receivable.**

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

	December 31,	
	2020	2019
Charges for Services	\$6,849	\$ 7,060
Allowance for Losses	( 750)	( 782)
Net Accounts Receivable	\$6,099	\$ 6,278

The District has delayed charging late fees and cutting off delinquent utility bills in March 2020 as a result of the Covid 19 pandemic.

**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, 2019	Additions	Deletions	Dec 31, 2020
Land **	\$ 2,020	\$	\$	\$ 2,020
Buildings & Improve.	39,755			39,755
Equipment	27,811	10,275	(3,302)	34,784
Sewer Improvements	10,488	9,000		19,488
Water Improvements	528,519			528,519
Total Capital Assets	608,593	19,275	(3,302)	624,566
Less Accumulated Depreciation for:				
Buildings & Improve.	2,074	2,488		4,562
Equipment	24,795	1,133	(3,302)	22,626
Sewer Improvements	6,933	406		7,339
Water Improvements	384,230	11,238		395,468
Total Accumulated Depreciation	418,032	15,265	(3,302)	429,995
Net Capital Assets	\$ 190,561	\$ 4,010	\$ -0-	\$ 194,571

\*\* non-depreciable asset

**RURAL WATER DISTRICT #1  
CADDO COUNTY, LOOKEBA, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2020 AND 2019**

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

The District wrote off \$3,302 of fully depreciated obsolete assets.

	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

**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 \$250 to \$1,000, depending upon the coverage.

**RURAL WATER DISTRICT #1  
CADDO COUNTY, LOOKEBA, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2020 AND 2019**

**Note 7 - Noncompliance with Certain Environmental Compliance Issues.**

In December 2020, the District received a consent order from the Oklahoma Department of Environmental Quality (ODEQ) alleging the District violated the maximum contaminant level of 0.01 milligrams per liter for arsenic in its water supply. The consent order requires the District to perform certain tasks by specific dates to upgrade the public water supply system and achieve compliance. The consent order assessed a penalty of \$1,875 with \$500 due within 30 days of the effective date of the consent order. The effective date is defined as the later date of the signatures required on the consent order. As of the audit date, the District has not signed the consent order. Failure to sign and return the consent order can result in other enforcement action by the ODEQ and additional penalties being assessed. The Oklahoma Environmental Quality Code authorizes ODEQ to seek penalties up to \$10,000 per day for each violation of the Code and associated rules.

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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated November 11, 2021. 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 one instance of noncompliance or other matters that is required to be reported herein under Government Auditing Standards. It is described in the schedule of findings and responses as item #1.

#### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Their response was not subjected to the auditing procedures applied in the audit of the financial statements and,

accordingly, we express no opinion on it.

**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

November 11, 2021

**RURAL WATER DISTRICT #1  
CADDO COUNTY, LOOKEBA, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2020**

**1. Noncompliance with Certain Environmental Compliance Issues.**

**Finding** - In December 2020, the District received a consent order from the Oklahoma Department of Environmental Quality (ODEQ) alleging the District violated the maximum contaminant level of 0.01 milligrams per liter for arsenic in its water supply. The consent order requires the District to perform certain tasks by specific dates to upgrade the public water supply system and achieve compliance. The consent order assessed a penalty of \$1,875 with \$500 due within 30 days of the effective date of the consent order. The effective date is defined as the later date of the signatures required on the consent order. As of the audit date, the District has not signed the consent order. Failure to sign and return the consent order can result in other enforcement action by the ODEQ and additional penalties being assessed. The Oklahoma Environmental Quality Code authorizes ODEQ to seek penalties up to \$10,000 per day for each violation of the Code and associated rules.

**Criteria** - The Oklahoma Department of Environmental Quality has regulatory jurisdiction under Oklahoma law to regulate and enforce the environmental laws for public water supply systems.

**Cause** - The District's testing of its public water supply system indicates it is not in compliance with the maximum contaminant level for arsenic in its water supply.

**Effect** - The arsenic violation noted above resulted in several notice of violations being issued and ultimately to the consent order.

**Recommendation** - The District should work with the ODEQ to resolve its violation. It should seek whatever means is necessary to reduce the arsenic level in its water supply and keep ODEQ informed of its progress.

**Views of Responsible Officials and Planned Corrective Action** - Although the District has not signed and sent the consent order back to ODEQ, its chairman has called them and discussed the situation with them. The District is reviewing several

RURAL WATER DISTRICT #1  
CADDO COUNTY, LOOKEBA, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2020

1. Noncompliance with Certain Environmental Compliance Issues  
(continued).

alternatives but feels everything is cost prohibitive at this time.

RURAL WATER DISTRICT #1  
CADDO COUNTY, LOOKEBA, OKLAHOMA  
UPDATE ON PRIOR YEAR'S AUDIT FINDINGS  
DECEMBER 31, 2020

None made.