

**Water Distributors Company, Inc.
Wister, Oklahoma**

Financial Statements and Auditor's Reports

Year Ended January 31, 2019

Audited by

**SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

Water Distributors Company, Inc.
Wister, Oklahoma
Board of Directors
January 31, 2019

BOARD OF DIRECTORS

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Wilburn Waits

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Ray Loyd

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Water Distributors Company, Inc.
Wister, Oklahoma
January 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Water Distributors, Inc.
Wister, Oklahoma

We have audited the accompanying financial statements of the business-type activities of Water Distributors, Inc. (the District), Wister, Oklahoma, as of and for the year ended January 31, 2019, which collectively comprise the District's 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. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of January 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The District has not presented the Management's Discussion and Analysis that governmental 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 (GASB), who considers it to be an essential part of the 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 our report dated April 2, 2019 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 to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing and not to provide an opinion on 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.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

April 2, 2019

**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
Water Distributors, Inc.
Wister, 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 accompanying financial statements of the Water Distributors, Inc. (the District), Coweta, Oklahoma, as of and for the year ended January 31, 2019, 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 2, 2019.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective 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 in order to determine our auditing procedures that are appropriate 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 over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified no deficiencies in the internal controls that we considered to be material weaknesses.

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 combination of deficiencies, in internal control such that

there is a reasonable possibility that a material misstatement of the District'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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

April 2, 2019

WATER DISTRIBUTORS COMPANY, INC.
Disposition of Prior Year's Significant Deficiencies
January 31, 2019

There were no prior year significant deficiencies.

WATER DISTRIBUTORS COMPANY, INC.
Schedule of Audit Results
January 31, 2019

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion was issued on the financial statements.
2. The audit disclosed no significant deficiencies in the internal controls which were considered a material weakness.
3. The audit disclosed no instances of noncompliance.

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

NONE

WATER DISTRIBUTORS COMPANY, INC.
Statement of Net Position
January 31, 2019

	2019	-Memorandum- -Only- 2018
<u>ASSETS:</u>		
Current Assets:		
Cash and cash equivalents	\$ 118,471	40,348
Investments	120,348	156,257
Accounts receivable	208,287	177,228
Inventory of supplies	31,385	22,052
Total current assets	478,491	395,885
Restricted Assets:		
Reserve account - meter deposits	16,965	16,673
Capital Assets:		
Building, plant and water system	3,222,726	3,222,726
Vehicles and equipment	412,955	412,955
Total capital assets	3,635,681	3,635,681
Less: accumulated depreciation	(2,626,874)	(2,594,431)
Total capital assets (net)	1,008,807	1,041,250
Total Assets	\$ 1,504,263	1,453,808
 <u>LIABILITIES:</u>		
Wages payable	\$ 8,957	8,332
Refundable deposits	16,923	16,673
Total Liabilities	25,880	25,005
 <u>NET POSITION:</u>		
Invested in capital assets, net of related debt	1,008,807	1,041,250
Unrestricted assets	469,576	387,553
Total Net Position	1,478,383	1,428,803
Total Liabilities and Net Position	\$ 1,504,263	1,453,808

The accompanying notes to the financial statements are an integral part of this statement

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5

Balance Sheets

December 31, 2004 and 2003

<u>ASSETS</u>	DECEMBER 31,	
	2004	2003
Current Assets:		
Cash and cash equivalents	\$ 259,849	162,587
Investments	542,994	524,507
Accounts receivable	33,125	46,378
Inventory	3,335	4,525
Prepaid insurance	5,725	4,457
Total current assets	<u>845,028</u>	<u>742,454</u>
Restricted Assets:		
Reserve account	98,000	98,000
ORWB Project trust funds:		
Project account	185,337	311,938
Debt service account	19,262	22,965
Debt service reserve account	115,458	115,458
Total restricted assets	<u>418,057</u>	<u>548,361</u>
Fixed Assets:		
Land	13,272	13,272
Building	60,100	60,100
Office equipment	33,548	23,063
Plant and water systems	2,852,951	2,600,816
Vehicles and equipment	51,325	38,325
Total fixed assets	<u>3,011,196</u>	<u>2,735,576</u>
Less: accumulated depreciation	(941,593)	(882,821)
Total fixed assets (net)	<u>2,069,603</u>	<u>1,852,755</u>
Total Assets	<u>\$ 3,332,688</u>	<u>3,143,570</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 13,636	14,144
Accrued interest	6,579	8,576
Current maturities of long-term debt	43,400	15,715
Total current liabilities	<u>63,615</u>	<u>38,435</u>
Long-Term Debt, less current maturities:		
Notes payable	<u>1,300,500</u>	<u>1,343,900</u>
Total Liabilities	<u>1,364,115</u>	<u>1,382,335</u>
Fund Equity:		
Contributed capital	231,998	131,998
Retained earnings	1,736,575	1,629,237
Total fund equity	<u>1,968,573</u>	<u>1,761,235</u>
Total Liabilities and Fund Equity	<u>\$ 3,332,688</u>	<u>3,143,570</u>

WATER DISTRIBUTORS COMPANY, INC.
Statement of Revenue, Expenses and Changes in Net Position
For The Year Ended January 31, 2019

	<u>2018-19</u>	<u>2017-18</u>
Operating Revenues:		
Water sales	\$ 1,020,765	981,214
Meter sets	12,750	6,800
Other fees	5,425	1,674
Total revenue from operations	<u>1,038,940</u>	<u>989,688</u>
Operating Expenses:		
Water purchases	469,170	447,010
Salaries and taxes	249,816	231,967
Professional fees	9,613	8,080
Utilities	33,060	30,624
Insurance	62,711	56,440
Repairs & maintenance	11,151	10,367
Operating supplies	31,432	47,667
Auto expense	30,545	21,062
Office materials & supplies	21,158	14,229
Depreciation	32,443	111,539
Permits and fees	2,559	4,540
Contracted labor	32,144	32,132
Miscellaneous	6,275	1,411
Total expenses from operations	<u>992,077</u>	<u>1,017,068</u>
Operating Income (Loss)	46,863	(27,380)
Non-Operating Revenues (Expenses):		
Interest income	1,350	1,665
Material reimbursements	1,367	1,374
Total Non-Operating Revenues (Expenses)	<u>2,717</u>	<u>3,039</u>
Change in Net Position	49,580	(24,341)
Total Net Position, beginning of period	<u>1,428,803</u>	<u>1,453,144</u>
Total Net Position, end of period	<u>\$ 1,478,383</u>	<u>1,428,803</u>

The accompanying notes to the financial statements are an integral part of this statement

MUSKOGEE COUNTY RURAL WATER DISTRICT NO. 5
 Statements of Revenue, Expenses and Changes in Retained Earnings
 For The Years Ended December 31, 2004, and 2003

	<u>2004</u>	<u>2003</u>
Revenue from Operations:		
Water sales	\$ 423,747	409,162
Penalties	14,952	13,539
Benefit unit sales	49,000	87,000
Installation fees	10,922	
Other sales and services	6,060	49
Total revenue from operations	<u>504,681</u>	<u>509,750</u>
Expenses from Operations:		
Salaries and benefits	88,603	96,020
Water purchases	124,992	96,116
Repairs and maintenance	37,402	24,543
Vehicle expense	10,063	6,493
Utilities and telephone	8,633	7,030
Insurance	9,889	7,340
Office expense and postage	17,959	12,450
Depreciation	58,772	47,153
Professional fees	3,000	2,450
Trustee fees	1,000	1,375
Miscellaneous	3,560	860
Total expenses from operations	<u>363,873</u>	<u>301,830</u>
Net Income (Loss) from Operations	140,808	207,920
Non-operating income		
Interest earnings	<u>21,766</u>	<u>20,979</u>
Non-operating expense		
Interest on long-term debt	<u>55,236</u>	<u>35,300</u>
Net Income (Loss)	107,338	193,599
Retained earnings, beginning of period	<u>1,629,237</u>	<u>1,435,638</u>
Retained earnings, end of period	<u>\$ 1,736,575</u>	<u>1,629,237</u>

WATER DISTRIBUTORS COMPANY, INC.
Statement of Cash Flows
For the Year Ended January 31, 2019

	2018-19	2017-18
Cash Flows from Operating Activities:		
Receipts from customers	\$ 1,003,348	889,274
Payments to employees	(249,191)	(231,743)
Payments to vendors	(717,709)	(672,687)
Receipts of customer deposits	5,900	3,752
Refunds of customer utility deposits	(2,559)	(3,036)
Net Cash Provided by Operating Activities	39,789	(14,440)
Cash Flows from Financing Activities:		
Reimbursements for materials	1,367	1,374
Cash Flows from Investing Activities:		
Interest earned on investments	1,350	1,665
Net Increase (Decrease) in Cash	42,506	(11,401)
Cash and cash equivalents, beginning of period	213,278	224,679
Cash and cash equivalents, end of period	\$ 255,784	213,278
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating Income	\$ 46,863	(27,380)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation Expense	32,443	111,539
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(31,059)	(100,414)
(Increase) decrease in supplies inventory	(9,333)	875
Increase (decrease) in refundable deposits	250	716
Increase (decrease) in wages payable	625	224
Net cash provided by operating activities	\$ 39,789	(14,440)

The accompanying notes to the financial statements are an integral part of this statement

WATER DISTRIBUTORS COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019

Note A – Summary of Significant Accounting Policies

Organization

Water Distributors, Inc. (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 Okmulgee County, Oklahoma. The District is considered a subdivision of the State of Oklahoma. The District is exempt from federal and state income taxes.

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. The District purchases water from the Poteau Valley Improvement Authority, the City of Heavener and the Town of Red Oak.

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and expenses are recognized when incurred. This policy is accordance with generally accepted accounting principles.

Cash

The Company's accounts are with the First State Bank in Wister, Oklahoma, and at January 31st are detailed as follows:

	January 31,	
	2019	2018
First State Bank, Wister, Oklahoma		
Depreciation fund - unrestricted	\$ 7,956	30,342
Renter's deposit fund - restricted	16,965	16,673
Revenue fund - unrestricted	110,515	10,006
Total	\$ 135,436	57,021

Investments

All investments are recorded at cost. Investments at January 31st are detailed as follows:

	January 31,	
	2019	2018
Community Bank, Wister, Oklahoma		
Certificates of deposit	\$ 120,348	156,257

WATER DISTRIBUTORS COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019

Note A – Summary of Significant Accounting Policies – cont’d

Fixed Assets

Fixed assets are items purchased in excess of \$1,000, with a useful life over two years, and are valued at cost, and depreciation is computed by use of the straight line method. The estimated useful lives of these assets are detailed as follows:

Plant and equipment	10-50 years
Vehicles	5 years
Office equipment	5 years
Water lines	40 years

The fixed asset information for the Company is shown below:

	1/31/2018 Amount	Additions	Deletions	1/31/2019 Amount
Plant and water sys.	\$ 3,222,726	-	-	3,222,726
Vehicles and equip.	412,955	-	-	412,955
Total Fixed Assets	3,635,681	-	-	3,635,681
Less: Accumulated Depreciation	(2,594,431)	(32,443)	-	(2,626,874)
Total	<u>\$ 1,041,250</u>	<u>(32,443)</u>	<u>-</u>	<u>1,008,807</u>

Inventory

Inventories are valued at the lower of cost or market, using the FIFO method (first in, first out).

Federal Income Taxes

The Company is exempt from federal and state income taxes.

Memorandum Totals

Prior year “memorandum only” financial statement information is shown for comparative purposes only.

WATER DISTRIBUTORS COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2019

Note A – Summary of Significant Accounting Policies – cont'd

Pending Litigation

As of September 30, 2018, the District had no pending litigation.

Subsequent Events

Management has evaluated subsequent events through April 2, 2019, 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.

Note B – Cash and Investments

The Company's investment policies are governed by state statutes. Permissible investments include direct obligations of the United States government and agencies; certificates of deposit of savings and loan associations, banks and trust companies; savings accounts or savings certificates of savings and loan associations, banks and trust companies; and warrants, bonds or judgments of the Company.

Cash and investments – The Company's cash deposits and investments at January 31, 2019, are categorized to give an indication of the level of risk assumed by the Company at year-end. All the cash and investments on hand during 2017-18 was collateralized by the \$250,000 of FDIC coverage.

Note C – Long-Term Debt

There was no new debt incurred in 2018-19 fiscal year, and no outstanding debt from prior years.

Note D – Donated Assets

Donated assets of \$63,026 were provided by the Choctaw Nation of Oklahoma to assist in building the water system and \$21,530 was provided from various miscellaneous sources. In the 2002-03 fiscal year, the Company received an additional \$5,526 from the Choctaw Nation of Oklahoma to assist in a water improvement project.

WATER DISTRIBUTORS INC
Schedule of Water Rates and Customers
-Unaudited Information-
January 31, 2019

Water Rates

0 – 1,000 gallons	=	\$18.00 minimum bill
Over 1,000 gallons	=	\$4.60 per 1,000 gallons

Customers

The District had 1,629 customers at the close of the fiscal year.

Current new membership fee is \$850 for a new meter setup.