

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

Financial Statements and Auditor's Reports

Year Ended January 31, 2014

Audited by

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

BROKEN ARROW, OK

Water Distributors Company, Inc.  
Wister, Oklahoma  
Board of Directors  
January 31, 2014

**BOARD OF DIRECTORS**

**Chairman**

Wilburn Waits

**Vice Chairman**

Ron Pelanconi

**Secretary**

James Morrison

**Members**

Gary Smith  
Joe Stacy  
Lewis White  
Donald Allison

**MANAGER**

Larry Robinson

**BOOKKEEPER**

Angela Claiborn, CPA

Water Distributors Company, Inc.  
Wister, Oklahoma  
January 31, 2014

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# SANDERS, BLEDSOE & HEWETT

## CERTIFIED PUBLIC ACCOUNTANTS, LLP

### 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, 2014, 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, 2014, 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 March 28, 2014 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 Authority's internal control over financial reporting and compliance.



Sanders, Bledsoe & Hewett  
Certified Public Accountants, LLP



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

**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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 28, 2014.

**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.

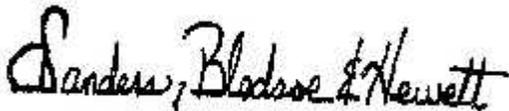
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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

March 28, 2014

WATER DISTRIBUTORS COMPANY, INC.  
Disposition of Prior Year's Reportable Conditions  
January 31, 2014

There were no prior year reportable conditions.

WATER DISTRIBUTORS COMPANY, INC.  
Schedule of Audit Results  
January 31, 2014

Section 1 – Summary of Auditor’s Results:

1. An unqualified opinion was issued on the financial statements.
2. The audit disclosed no reportable conditions 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 Assets  
January 31, 2014

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 96,673
Investments	258,833
Current portion of receivables	104,850
Inventory of supplies	20,468
Total current assets	480,824

Noncurrent Assets:

Restricted cash- Reserve account	16,190
Capital Assets- Building, plant and water systems, net	1,255,828
Other capital assets, net	44,780
Total noncurrent assets	1,316,798

Total Assets	1,797,622
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LIABILITIES:

Current Liabilities:

Wages payable	6,428
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Noncurrent Liabilities:

Refundable deposits	16,190
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Total Liabilities	22,618
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NET ASSETS:

Invested in capital assets, net of related debt	1,300,608
Unrestricted assets	474,396
Total Net Assets	\$ 1,775,004

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

WATER DISTRIBUTORS COMPANY, INC.  
Statement of Activities  
For The Year Ended January 31, 2014

Operating Revenues:	
Water sales	\$ 739,742
Meter sets	<u>11,500</u>
Total revenue from operations	<u>751,242</u>
Operating Expenses:	
Water purchases	419,759
Salaries and taxes	154,786
Professional fees	7,419
Utilities	29,503
Insurance	40,273
Repairs & maintenance	2,211
Operating supplies	42,301
Auto expense	26,909
Office materials & supplies	17,477
Depreciation	100,907
Permits and fees	5,741
Contracted labor	31,187
Miscellaneous	<u>3,650</u>
Total expenses from operations	<u>882,123</u>
Operating Income (Loss)	(130,881)
Non-Operating Revenues (Expenses):	
Interest income	2,395
Material reimbursements	<u>2,293</u>
Total Non-Operating Revenues (Expenses)	<u>4,688</u>
Change in Net Assets	(126,193)
Total Net Assets, beginning of period	<u>1,901,197</u>
Total Net Assets, end of period	<u><u>\$ 1,775,004</u></u>

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

WATER DISTRIBUTORS COMPANY, INC.  
Statement of Cash Flows  
For the Year Ended January 31, 2014

Cash Flows from Operating Activities:

Receipts from customers	\$ 745,450
Payments to employees	(153,175)
Payments to vendors	(618,487)
Receipts of customer deposits	6,050
Refunds of customer utility deposits	(8,226)
	(28,388)
Net Cash Provided by Operating Activities	(28,388)

Cash Flows from Financing Activities:

Sale (purchase) of capital assets	(39,185)
Reimbursements for materials	2,395
	(36,790)
Net Cash Provided by (used in) Financing Activities	(36,790)

Cash Flows from Investing Activities:

Interest earned on investments	2,293
	2,293

Net Increase (Decrease) in Cash	(62,885)
Cash and cash equivalents, beginning of period	434,581
	\$ 371,696

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

Operating Income	\$ (130,881)
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation Expense	100,907
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(5,792)
(Increase) decrease in supplies inventory	7,943
Increase (decrease) in refundable deposits	(2,176)
Increase (decrease) in wages payable	1,611
	(28,388)
Net cash provided by operating activities	\$ (28,388)

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, 2014

**Note A – Summary of Significant Accounting Policies**

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.

Reporting Standard

In June 1999, the GASB issued Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Government.” This statement establishes new financial reporting requirements for state and local governments throughout the United States. It creates new information and restructures much of the information that governments have presented in the past. Comparability with reports issued in all prior years is affected. The Company has implemented this standard.

Cash

The Company’s accounts are with the First State Bank in Wister, Oklahoma, and at January 31<sup>st</sup> are detailed as follows:

	January 31,	
	2014	2013
First State Bank, Wister, Oklahoma		
Depreciation fund - unrestricted	\$ 95,047	102,981
Renter’s deposit fund - restricted	16,190	14,599
Revenue fund - unrestricted	1,626	60,061
Total	\$ 112,863	177,641

Investments

All investments are recorded at cost. Investments at January 31<sup>st</sup> are detailed as follows:

	January 31,	
	2014	2013
Community Bank, Wister, Oklahoma		
Certificates of deposit	\$ 258,833	256,940

Restricted Assets

The deposits held by the Company for renters are reported as restricted assets.

WATER DISTRIBUTORS COMPANY, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 JANUARY 31, 2014

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

Fixed Assets

Fixed assets 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:

	1/31/2013			1/31/2014
	<u>Amount</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount</u>
Plant and water sys.	\$ 3,079,999	14,963	-	3,094,962
Vehicles and equip.	<u>348,738</u>	<u>24,222</u>	<u>-</u>	<u>372,960</u>
Total Fixed Assets	3,428,737	39,185	-	3,467,922
Less: Accumulated Depreciation	<u>(2,066,407)</u>	<u>(100,907)</u>	<u>-</u>	<u>(2,167,314)</u>
Total	<u><u>\$ 1,362,330</u></u>	<u><u>(61,722)</u></u>	<u><u>-</u></u>	<u><u>1,300,608</u></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.

Subsequent Events

Management has evaluated subsequent events through January 28, 2014, 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.

WATER DISTRIBUTORS COMPANY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JANUARY 31, 2014

**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, 2014, are categorized to give an indication of the level of risk assumed by the Company at year-end.

Deposit Categories of Credit Risk

- (A) Insured by Federal Deposit Insurance
- (B) Collateralized with securities held by the pledging financial institution’s trust department or agent in the Company’s name
- (C) Uncollateralized

	Category			Bank Balance	Carrying Amount
	(A)	(B)	(C)		
Cash	\$ 112,863			112,863	112,863
Investments	250,000	8,833		258,833	258,833
Total	<u>\$ 362,863</u>	<u>8,833</u>	<u>0</u>	<u>371,696</u>	<u>371,696</u>

**Note C – Long-Term Debt**

There was no new debt incurred in 2013-14 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 COMPANY, INC.  
Balance Sheet  
January 31, 2014

	JANUARY 31,	
<u>ASSETS</u>	2014	(memo only) 2013
Current Assets:		
Cash	\$ 96,673	163,042
Investments	258,833	256,940
Inventory	20,468	28,411
Accounts receivable	104,850	99,058
Total Current Assets	480,824	547,451
Restricted Assets:		
Renter's deposit cash	16,190	14,599
Fixed Assets:		
Property, plant & equipment	3,467,922	3,428,737
Less: accumulated depreciation	(2,167,314)	(2,066,407)
Total fixed assets (net of depreciation)	1,300,608	1,362,330
Total Assets	\$ 1,797,622	1,924,380
<u>LIABILITIES AND EQUITY</u>		
Current liabilities:		
Wages payable	\$ 6,428	4,817
Renter's deposits	16,190	18,366
Total current liabilities	22,618	23,183
Equity:		
Contributed capital	90,082	90,082
Retained earnings	1,684,922	1,811,115
Total equity	1,775,004	1,901,197
Total Liabilities and Equity	\$ 1,797,622	1,924,380

WATER DISTRIBUTORS COMPANY, INC.  
Statement of Revenue, Expenses and Changes in Retained Earnings  
For the Year Ended January 31, 2014

	2013-14	(memo only) 2012-13
Revenue from operations:		
Water revenue	\$ 739,742	801,098
Meter sets	11,500	7,500
Total revenue	751,242	808,598
Expenses from operations:		
Water purchases	419,759	420,678
Salaries	118,770	103,833
Taxes	36,016	34,159
Professional fees	7,419	7,105
Utilities	29,503	25,939
Insurance	40,273	39,586
Repairs & maintenance	2,211	4,923
Operating supplies	42,301	31,084
Auto expense	26,909	21,353
Office materials & supplies	17,477	11,419
Depreciation	100,907	99,863
Permits and fees	5,741	4,215
Contracted labor	31,187	30,481
Miscellaneous	3,650	5,527
Total expenses from operations	882,123	840,165
Net income (loss) from operations	(130,881)	(31,567)
Non-operating revenue:		
Material reimbursements	2,395	6,453
Interest	2,293	2,709
Total non-operating revenue	4,688	9,162
Net Income (Loss)	(126,193)	(22,405)
Retained earnings, beginning of period	1,811,115	1,833,520
Retained earnings, end of period	\$ 1,684,922	1,811,115