

Water Distributors Company, Inc.
Wister, Oklahoma

Financial Statements and Auditor's Reports

Year Ended January 31, 2018

Audited by

SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

BROKEN ARROW, OK

Water Distributors Company, Inc.
Wister, Oklahoma
Board of Directors
January 31, 2018

BOARD OF DIRECTORS

Chairman

Wilburn Waits

Vice Chairman

Ray Loyd

Secretary

James Morrison

Members

Gary Smith
Joe Stacy
Floyd Roath

MANAGER

Roni Robinson

BOOKKEEPERS

Carol Robinson
Angela Claiborn, CPA

Water Distributors Company, Inc.
Wister, Oklahoma
January 31, 2018

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Table of Contents	2
Independent Auditor's Report	3
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	5
Disposition of Prior Year's Significant Deficiencies	7
Schedule of Audit Results	8
<u>COMBINED FINANCIAL STATEMENTS:</u>	
Statement of Net Position	9
Statement of Revenue, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	12
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
Balance Sheet	15
Statement of Revenue, Expenses and Changes in Retained Earnings	16
Schedule of Rates and Customers (unaudited)	17



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, 2018, 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, 2018, 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 9, 2018 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

April 9, 2018



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, 2018, 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 9, 2018.

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 9, 2018

WATER DISTRIBUTORS COMPANY, INC.
Disposition of Prior Year's Significant Deficiencies
January 31, 2018

There were no prior year significant deficiencies.

WATER DISTRIBUTORS COMPANY, INC.
Schedule of Audit Results
January 31, 2018

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, 2018

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 40,348
Investments	156,257
Current portion of receivables	177,228
Inventory of supplies	22,052
Total current assets	<u>395,885</u>

Noncurrent Assets:

Restricted cash-	
Reserve account	16,673
Capital Assets-	
Building, plant and water systems, net	987,169
Other capital assets, net	54,081
Total noncurrent assets	<u>1,057,923</u>

Total Assets	<u>1,453,808</u>
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LIABILITIES:

Current Liabilities:

Wages payable	<u>8,332</u>
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Noncurrent Liabilities:

Refundable deposits	<u>16,673</u>
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Total Liabilities	<u>25,005</u>
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NET POSITION:

Invested in capital assets, net of related debt	1,041,250
Unrestricted assets	<u>387,553</u>
Total Net Position	<u>\$ 1,428,803</u>

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

WATER DISTRIBUTORS COMPANY, INC.
Statement of Revenue, Expenses and Changes in Net Position
For The Year Ended January 31, 2018

Operating Revenues:	
Water sales	\$ 982,888
Meter sets	6,800
Total revenue from operations	<u>989,688</u>
Operating Expenses:	
Water purchases	447,010
Salaries and taxes	231,967
Professional fees	8,080
Utilities	30,624
Insurance	56,440
Repairs & maintenance	10,367
Operating supplies	47,667
Auto expense	21,062
Office materials & supplies	14,229
Depreciation	111,539
Permits and fees	4,540
Contracted labor	32,132
Miscellaneous	1,411
Total expenses from operations	<u>1,017,068</u>
Operating Income (Loss)	(27,380)
Non-Operating Revenues (Expenses):	
Interest income	1,665
Material reimbursements	1,374
Total Non-Operating Revenues (Expenses)	<u>3,039</u>
Change in Net Position	(24,341)
Total Net Position, beginning of period	<u>1,453,144</u>
Total Net Position, end of period	<u><u>\$ 1,428,803</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, 2018

Cash Flows from Operating Activities:

Receipts from customers	\$ 889,274
Payments to employees	(231,743)
Payments to vendors	(672,687)
Receipts of customer deposits	3,752
Refunds of customer utility deposits	<u>(3,036)</u>
Net Cash Provided by Operating Activities	<u>(14,440)</u>

Cash Flows from Financing Activities:

Reimbursements for materials	<u>1,665</u>
Net Cash Provided by (used in) Financing Activities	<u>1,665</u>

Cash Flows from Investing Activities:

Interest earned on investments	<u>1,374</u>
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Net Increase (Decrease) in Cash (11,401)

Cash and cash equivalents, beginning of period 224,679

Cash and cash equivalents, end of period \$ 213,278

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

Operating Income	\$ (27,380)
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation Expense	111,539
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(100,414)
(Increase) decrease in supplies inventory	875
Increase (decrease) in refundable deposits	716
Increase (decrease) in wages payable	<u>224</u>
Net cash provided by operating activities	<u><u>\$ (14,440)</u></u>

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, 2018

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,	
	2018	2017
First State Bank, Wister, Oklahoma		
Depreciation fund - unrestricted	\$ 30,342	14,225
Renter's deposit fund - restricted	16,673	15,957
Revenue fund - unrestricted	1,006	39,426
Total	<u>\$ 48,021</u>	<u>69,608</u>

Investments

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

	January 31,	
	2018	2017
Community Bank, Wister, Oklahoma		
Certificates of deposit	<u>\$ 156,257</u>	<u>155,071</u>

WATER DISTRIBUTORS COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2018

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:

	1/31/2017 Amount	Additions	Deletions	1/31/2018 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	(2,482,892)	(111,539)	-	(2,594,431)
Total	<u>\$ 1,152,789</u>	<u>(111,539)</u>	<u>-</u>	<u>1,041,250</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 April 9, 2018, 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, 2018

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, 2018, 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 2017-18 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, 2018

	JANUARY 31,	
	2018	(memo only) 2017
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 40,348	53,651
Investments	156,257	155,071
Inventory	22,052	22,927
Accounts receivable	177,228	76,814
Total Current Assets	<u>395,885</u>	<u>308,463</u>
Restricted Assets:		
Renter's deposit cash	<u>16,673</u>	<u>15,957</u>
Fixed Assets:		
Property, plant & equipment	3,635,681	3,635,681
Less: accumulated depreciation	<u>(2,594,431)</u>	<u>(2,482,892)</u>
Total fixed assets (net of depreciation)	<u>1,041,250</u>	<u>1,152,789</u>
Total Assets	<u>\$ 1,453,808</u>	<u>1,477,209</u>
<u>LIABILITIES AND EQUITY</u>		
Current liabilities:		
Wages payable	\$ 8,332	8,108
Renter's deposits	16,673	15,957
Total current liabilities	<u>25,005</u>	<u>24,065</u>
Equity:		
Contributed capital	90,082	90,082
Retained earnings	<u>1,338,721</u>	<u>1,363,062</u>
Total equity	<u>1,428,803</u>	<u>1,453,144</u>
Total Liabilities and Equity	<u>\$ 1,453,808</u>	<u>1,477,209</u>

WATER DISTRIBUTORS COMPANY, INC.
Statement of Revenue, Expenses and Changes in Retained Earnings
For the Year Ended January 31, 2018

	2017-18	(memo only) 2016-17
Revenue from operations:		
Water revenue	\$ 982,888	849,219
Meter sets	6,800	9,350
Total revenue	<u>989,688</u>	<u>858,569</u>
Expenses from operations:		
Water purchases	447,010	482,147
Salaries	167,330	138,928
Taxes	64,637	48,221
Professional fees	8,080	8,963
Utilities	30,624	33,541
Insurance	56,440	41,967
Repairs & maintenance	10,367	45,843
Operating supplies	47,667	53,141
Auto expense	21,062	21,801
Office materials & supplies	14,229	14,681
Depreciation	111,539	110,589
Permits and fees	4,540	2,339
Contracted labor	32,132	31,694
Miscellaneous	1,411	710
Total expenses from operations	<u>1,017,068</u>	<u>1,034,565</u>
Net income (loss) from operations	(27,380)	(175,996)
Non-operating revenue:		
Material reimbursements	1,665	473
Interest	1,374	1,280
Total non-operating revenue	<u>3,039</u>	<u>1,753</u>
Net Income (Loss) - unadjusted	(24,341)	(174,243)
Prior period adjustment	0	127,764
Net Income (Loss) - adjusted	(24,341)	(46,479)
Retained earnings, beginning of period	<u>1,363,062</u>	<u>1,409,541</u>
Retained earnings, end of period	<u><u>\$ 1,338,721</u></u>	<u><u>1,363,062</u></u>

WATER DISTRIBUTORS INC
Schedule of Water Rates and Customers
-Unaudited Information-
January 31, 2018

Water Rates

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

Customers

The District had 1756 customers at the close of the fiscal year.

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