

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

Financial Statements and Auditor's Reports

Year Ended January 31, 2022

Audited by

**BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

BROKEN ARROW, OK

Water Distributors Company, Inc.
Wister, Oklahoma
Board of Directors
January 31, 2022

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Vice Chairman

Curtis Ray Loyd

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Water Distributors Company, Inc.
Wister, Oklahoma
January 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Water Distributors, Inc.
Wister, Oklahoma

Report on Financial Statements

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, 2022 and the related notes to the financial statements 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 opinion.

Opinion

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, 2022 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.

The prior year “memorandum only” comparative information and the supplementary information on page 15 are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2022 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.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

March 25, 2022



BLEDSON, HEWETT & GULLEKSON
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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
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), Wister, Oklahoma, as of and for the year ended January 31, 2022 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 25, 2022.

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.

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.

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.

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.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

March 25, 2022

WATER DISTRIBUTORS COMPANY, INC.
Disposition of Prior Year's Significant Deficiencies
January 31, 2022

There were no prior year significant deficiencies.

WATER DISTRIBUTORS COMPANY, INC.
Schedule of Audit Results
January 31, 2022

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit did not identify any material weaknesses and did not report any significant deficiencies not considered to be material weaknesses in the internal controls over financial reporting.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

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, 2022

| | <u>Jan. 31, 2022</u> | <u>-Memorandum- -Only- Jan. 31, 2021</u> |
|---|----------------------|--|
| <u>ASSETS:</u> | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 150,750 | \$ 152,593 |
| Investments | 123,778 | 123,019 |
| Accounts receivable | 218,478 | 204,753 |
| Inventory of supplies | 66,785 | 64,942 |
| Total current assets | 559,791 | 545,307 |
| Restricted Assets: | | |
| Reserve account - renters deposits | 19,738 | 19,770 |
| Capital Assets: | | |
| Building, plant and water system | 3,224,876 | 3,224,876 |
| Vehicles and equipment | 427,955 | 412,955 |
| Total capital assets | 3,652,831 | 3,637,831 |
| Less: accumulated depreciation | (2,792,468) | (2,740,167) |
| Total capital assets (net) | 860,363 | 897,664 |
| Total Assets | \$ 1,439,892 | \$ 1,462,741 |
| <u>LIABILITIES:</u> | | |
| Wages payable | \$ 11,396 | \$ 7,094 |
| Refundable deposits | 19,738 | 19,648 |
| Total Liabilities | 31,134 | 26,742 |
| <u>NET POSITION:</u> | | |
| Net investment in capital assets | 860,363 | 897,664 |
| Unrestricted assets | 548,395 | 538,335 |
| Total Net Position | 1,408,758 | 1,435,999 |
| Total Liabilities and Net Position | \$ 1,439,892 | \$ 1,462,741 |

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, 2022

| | 2021-22 | -Memorandum- -Only- 2020-21 |
|---|----------------|--|
| Operating Revenues: | | |
| Water sales | \$ 1,010,345 | \$ 957,127 |
| Meter sets | 17,530 | 13,195 |
| Other fees | 212 | 132 |
| Total revenue from operations | 1,028,087 | 970,454 |
| Operating Expenses: | | |
| Water purchases | 525,995 | 470,448 |
| Salaries and taxes | 256,449 | 268,439 |
| Professional fees | 8,170 | 8,080 |
| Utilities | 33,537 | 29,325 |
| Insurance | 66,903 | 58,685 |
| Repairs & maintenance | 7,151 | 7,884 |
| Operating supplies | 37,228 | 30,724 |
| Auto expense | 21,507 | 18,881 |
| Office materials & supplies | 17,753 | 19,141 |
| Depreciation | 52,301 | 54,698 |
| Permits and fees | 6,627 | 1,742 |
| Contracted labor | 32,377 | 32,592 |
| Miscellaneous | 4,064 | 3,770 |
| Total expenses from operations | 1,070,062 | 1,004,409 |
| Operating Income (Loss) | (41,975) | (33,955) |
| Non-Operating Revenues (Expenses): | | |
| Interest income | 952 | 1,485 |
| Insurance reimbursements | 13,782 | 5,620 |
| Line relocation proceeds | 0 | 177,412 |
| Line relocation costs | 0 | (177,412) |
| Total non-operating revenues (expenses) | 14,734 | 7,105 |
| Change in Net Position | (27,241) | (26,850) |
| Total Net Position, beginning of period | 1,435,999 | 1,462,849 |
| Total Net Position, end of period | \$ 1,408,758 | \$ 1,435,999 |

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, 2022

| | 2021-22 | -Memorandum- -Only- 2020-21 |
|--|----------------|--|
| Cash Flows from Operating Activities: | | |
| Receipts from customers | \$ 1,014,362 | \$ 988,425 |
| Payments to employees | (256,025) | (270,837) |
| Payments to vendors | (759,187) | (681,399) |
| Net Cash Provided by (used in) Operating Activities | (850) | 36,189 |
| Cash Flows from Capital and Related Financing Activities: | | |
| Sale (purchase) of capital assets | (15,000) | 0 |
| Insurance reimbursements | 13,782 | 5,620 |
| Line relocation proceeds | 0 | 177,412 |
| Line relocation costs | 0 | (177,412) |
| Net Cash Provided by (used in) Capital and Related Financing Activities | (1,218) | 5,620 |
| Cash Flows from Investing Activities: | | |
| Interest earned on investments | 952 | 1,485 |
| Net Increase (Decrease) in Cash | (1,116) | 43,294 |
| Cash and cash equivalents, beginning of period | 295,382 | 252,088 |
| Cash and cash equivalents, end of period | \$ 294,266 | \$ 295,382 |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | |
| Operating Income | \$ (41,975) | \$ (33,955) |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | |
| Depreciation Expense | 52,301 | 54,698 |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (13,725) | 18,301 |
| (Increase) decrease in supplies inventory | (1,843) | (2,381) |
| Increase (decrease) in refundable deposits | 4,302 | 1,924 |
| Increase (decrease) in wages payable | 90 | (2,398) |
| Net cash provided by operating activities | \$ (850) | \$ 36,189 |

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, 2022

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 LeFlore 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 District's accounts are with The Community State Bank in Wister, Oklahoma, and at January 31st are detailed as follows:

| | January 31, | |
|--|-------------|---------|
| | 2022 | 2021 |
| The Community State Bank, Wister, Oklahoma | | |
| Depreciation fund - unrestricted | \$ 29,403 | 19,646 |
| Renter's deposit fund - restricted | 19,738 | 19,770 |
| Revenue fund - unrestricted | 121,347 | 132,947 |
| Total | \$ 170,488 | 172,363 |

Investments

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

| | January 31, | |
|--|-------------|---------|
| | 2022 | 2021 |
| The Community State Bank, Wister, Oklahoma | | |
| Certificates of deposit | \$ 123,778 | 123,019 |

WATER DISTRIBUTORS COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022

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

The District’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 District.

Cash and investments – The District’s cash deposits and investments at January 31, 2022, 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 were collateralized by the \$250,000 of FDIC coverage. The District also had additional collateral pledged on hand at the bank.

Capital Assets

Capital 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 capital asset information for the District is shown below:

| | 1/31/2021 Amount | Additions | Deletions | 1/31/2022 Amount |
|-----------------------------------|---------------------|-----------|-----------|---------------------|
| Plant and water sys. | \$ 3,224,876 | - | - | 3,224,876 |
| Vehicles and equip. | 412,955 | - | - | 412,955 |
| Total Capital Assets | 3,635,681 | - | - | 3,637,831 |
| Less: Accumulated Depreciation | (2,740,167) | (52,301) | - | (2,792,468) |
| Total | \$ 895,514 | (52,301) | - | 845,363 |

Inventory

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

WATER DISTRIBUTORS COMPANY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2022

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

Federal Income Taxes

The District is exempt from federal and state income taxes.

Memorandum Totals

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

Pending Litigation

As of January 31, 2022 the District had no pending litigation.

Subsequent Events

Management has evaluated subsequent events through March 25, 2022. 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 – Long-Term Debt

There was no new debt incurred in 2021-22 fiscal year, and no outstanding debt from prior years.

Note C – 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, 2022

Water Rates

| | | |
|--------------------|---|--------------------------|
| 0 – 1,000 gallons | = | \$24.00 minimum bill |
| Over 1,000 gallons | = | \$4.60 per 1,000 gallons |

Customers

The District had 1,657 customers at the close of the fiscal year.

Current new membership fee is \$2,010 for a new meter setup, a 1” meter is \$2,500.