

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

Financial Statements and Auditor's Reports

Year Ended January 31, 2016

Audited by

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

BROKEN ARROW, OK

Water Distributors Company, Inc.
Wister, Oklahoma
Board of Directors
January 31, 2016

BOARD OF DIRECTORS

Chairman

Wilburn Waits

Vice Chairman

Ray Loyd

Secretary

James Morrison

Members

Gary Smith
Joe Stacy
Lewis White
Donald Allison

MANAGER

Roni Robinson

BOOKKEEPERS

Carol Robinson
Angela Claiborn, CPA

Water Distributors Company, Inc.
Wister, Oklahoma
January 31, 2016

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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, 2016, 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, 2016, 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 25, 2016 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

March 25, 2016



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, 2016, 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, 2016.

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 25, 2016

WATER DISTRIBUTORS COMPANY, INC.
Disposition of Prior Year's Reportable Conditions
January 31, 2016

There were no prior year reportable conditions.

WATER DISTRIBUTORS COMPANY, INC.
Schedule of Audit Results
January 31, 2016

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 Position
January 31, 2016

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 82,979
Investments	154,018
Current portion of receivables	150,669
Inventory of supplies	23,118
Total current assets	410,784

Noncurrent Assets:

Restricted cash-	
Reserve account	14,320
Capital Assets-	
Building, plant and water systems, net	1,066,979
Other capital assets, net	28,640
Total noncurrent assets	1,109,939

Total Assets	1,520,723
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LIABILITIES:

Current Liabilities:

Wages payable	6,780
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Noncurrent Liabilities:

Refundable deposits	14,320
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Total Liabilities	21,100
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NET POSITION:

Invested in capital assets, net of related debt	1,095,619
Unrestricted assets	404,004
Total Net Position	\$ 1,499,623

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, 2016

Operating Revenues:	
Water sales	\$ 819,235
Meter sets	3,550
Total revenue from operations	<u>822,785</u>
Operating Expenses:	
Water purchases	514,156
Salaries and taxes	206,102
Professional fees	7,687
Utilities	32,909
Insurance	39,944
Repairs & maintenance	11,668
Operating supplies	42,706
Auto expense	21,027
Office materials & supplies	17,175
Depreciation	104,633
Permits and fees	6,529
Contracted labor	31,137
Miscellaneous	850
Total expenses from operations	<u>1,036,523</u>
Operating Income (Loss)	(213,738)
Non-Operating Revenues (Expenses):	
Interest income	1,577
Material reimbursements	5,951
Total Non-Operating Revenues (Expenses)	<u>7,528</u>
Change in Net Position	(206,210)
Total Net Position, beginning of period	<u>1,705,833</u>
Total Net Position, end of period	<u><u>\$ 1,499,623</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, 2016

Cash Flows from Operating Activities:

Receipts from customers	\$ 804,619
Payments to employees	(205,557)
Payments to vendors	(726,152)
Receipts of customer deposits	4,837
Refunds of customer utility deposits	(5,748)
	(128,001)
Net Cash Provided by Operating Activities	(128,001)

Cash Flows from Financing Activities:

Reimbursements for materials	5,951
	5,951

Cash Flows from Investing Activities:

Interest earned on investments	1,577
	1,577

Net Increase (Decrease) in Cash	(120,473)
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Cash and cash equivalents, beginning of period	371,790
	371,790

Cash and cash equivalents, end of period	\$ 251,317
	\$ 251,317

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

Operating Income	\$ (213,738)
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation Expense	104,633
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(18,166)
(Increase) decrease in supplies inventory	(364)
Increase (decrease) in refundable deposits	(911)
Increase (decrease) in wages payable	545
	545
Net cash provided by operating activities	\$ (128,001)

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, 2016

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 31st are detailed as follows:

	January 31,	
	2016	2015
First State Bank, Wister, Oklahoma		
Depreciation fund - unrestricted	\$ 34,668	87,351
Renter’s deposit fund - restricted	14,320	15,231
Revenue fund - unrestricted	48,311	42,350
Total	\$ 97,299	144,932

Investments

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

	January 31,	
	2016	2015
Community Bank, Wister, Oklahoma		
Certificates of deposit	\$ 154,018	226,858

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, 2016

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:

	<u>1/31/2015</u> Amount	<u>Additions</u>	<u>Deletions</u>	<u>1/31/2016</u> Amount
Plant and water sys.	\$ 3,094,962	-	-	3,094,962
Vehicles and equip.	372,960	-	-	372,960
Total Fixed Assets	3,467,922	-	-	3,467,922
Less: Accumulated Depreciation	<u>(2,267,670)</u>	<u>(104,633)</u>	-	<u>(2,372,303)</u>
Total	<u>\$ 1,200,252</u>	<u>(104,633)</u>	-	<u>1,095,619</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 March 25, 2016, 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, 2016

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, 2015, 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	\$ 97,299			97,299	97,299
Investments	154,018			154,018	154,018
Total	\$ 251,317	0	0	251,317	251,317

Note C – Long-Term Debt

There was no new debt incurred in 2015-16 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, 2016

	JANUARY 31,	
<u>ASSETS</u>	2016	(memo only) 2015
Current Assets:		
Cash	\$ 82,979	129,701
Investments	154,018	226,858
Inventory	23,118	22,754
Accounts receivable	150,669	132,503
Total Current Assets	410,784	511,816
Restricted Assets:		
Renter's deposit cash	14,320	15,231
Fixed Assets:		
Property, plant & equipment	3,467,922	3,467,922
Less: accumulated depreciation	(2,372,303)	(2,267,670)
Total fixed assets (net of depreciation)	1,095,619	1,200,252
Total Assets	\$ 1,520,723	1,727,299
<u>LIABILITIES AND EQUITY</u>		
Current liabilities:		
Wages payable	\$ 6,780	6,235
Renter's deposits	14,320	15,231
Total current liabilities	21,100	21,466
Equity:		
Contributed capital	90,082	90,082
Retained earnings	1,409,541	1,615,751
Total equity	1,499,623	1,705,833
Total Liabilities and Equity	\$ 1,520,723	1,727,299

WATER DISTRIBUTORS COMPANY, INC.
Statement of Revenue, Expenses and Changes in Retained Earnings
For the Year Ended January 31, 2016

	2015-16	(memo only) 2014-15
	<u>2015-16</u>	<u>2014-15</u>
Revenue from operations:		
Water revenue	\$ 819,235	863,791
Meter sets	3,550	6,000
Total revenue	<u>822,785</u>	<u>869,791</u>
Expenses from operations:		
Water purchases	514,156	432,027
Salaries	156,156	136,033
Taxes	49,946	43,289
Professional fees	7,687	7,105
Utilities	32,909	32,405
Insurance	39,944	52,915
Repairs & maintenance	11,668	21,709
Operating supplies	42,706	44,845
Auto expense	21,027	18,076
Office materials & supplies	17,175	16,563
Depreciation	104,633	100,356
Permits and fees	6,529	4,871
Contracted labor	31,137	31,849
Miscellaneous	850	671
Total expenses from operations	<u>1,036,523</u>	<u>942,714</u>
Net income (loss) from operations	(213,738)	(72,923)
Non-operating revenue:		
Material reimbursements	5,951	1,765
Interest	1,577	1,987
Total non-operating revenue	<u>7,528</u>	<u>3,752</u>
Net Income (Loss)	(206,210)	(69,171)
Retained earnings, beginning of period	<u>1,615,751</u>	<u>1,684,922</u>
Retained earnings, end of period	<u>\$ 1,409,541</u>	<u>1,615,751</u>