

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

Financial Statements and Auditor's Reports

Year Ended January 31, 2012

Audited by

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

BROKEN ARROW, OK

Water Distributors Company, Inc.
Summerfield, Oklahoma
Board of Directors
January 31, 2012

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.
Summerfield, Oklahoma
January 31, 2012

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SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Stephen H. Sanders, CPA
Eric M. Bledsoe, CPA
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Independent Auditor's Report

Board of Directors
Water Distributors Company, Inc.
Summerfield, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Water Distributors Company, Inc. (the Company), Summerfield, Oklahoma, as of and for the year ended January 31, 2012, which collectively comprise the Company's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Company's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Company as of January 31, 2012, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting generally accepted in the United States of America.

Management has elected to omit the Management Discussion and Analysis, which is considered required supplementary information that is normally subjected to auditing procedures. Due to this omission, the usefulness and accessibility of the financial statements are limited to the Company's management. The omission of this information does not affect the opinion expressed on the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 22, 2012, on our consideration of the Company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note A.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

March 22, 2012



SANDERS, BLEDSOE & HEWETT
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**Report On Compliance And On Internal Control Over
Financial Reporting Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

Board of Directors
Water Distributors Company, Inc.
Summerfield, Oklahoma

We have audited the financial statements of the Water Distributors Company, Inc. (the Company), Summerfield, Oklahoma, as of and for the year ended January 31, 2012, and have issued our report thereon dated March 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 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 auditing standards generally accepted in the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material

weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we considered to be material weaknesses.

This report is intended solely for the information of management and the Board of Directors, and is not intended to be, and should not be, used by anyone other than these specified parties.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

March 22, 2012

WATER DISTRIBUTORS COMPANY, INC.
Disposition of Prior Year's Reportable Conditions
January 31, 2012

There were no prior year reportable conditions.

WATER DISTRIBUTORS COMPANY, INC.

Schedule of Audit Results

January 31, 2012

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

COMBINED FINANCIAL STATEMENTS

WATER DISTRIBUTORS COMPANY, INC.
Statement of Net Assets
January 31, 2012

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 137,467
Investments	254,677
Current portion of receivables	89,328
Inventory of supplies	30,494
Total current assets	<u>511,966</u>

Noncurrent Assets:

Restricted cash-	
Reserve account	11,984
Capital Assets-	
Building, plant and water systems, net	1,380,896
Other capital assets, net	45,130
Total noncurrent assets	<u>1,438,010</u>

Total Assets	<u>1,949,976</u>
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LIABILITIES :

Current Liabilities:

Wages payable	<u>4,888</u>
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Noncurrent Liabilities:

Refundable deposits	<u>21,486</u>
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Total Liabilities	<u>26,374</u>
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NET ASSETS:

Invested in capital assets, net of related debt	1,426,026
Unrestricted assets	<u>497,576</u>
Total Net Assets	<u>\$ 1,923,602</u>

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, 2012

Operating Revenues:	
Water sales	\$ 807,100
Meter sets	8,000
Total revenue from operations	<u>815,100</u>
Operating Expenses:	
Water purchases	475,839
Salaries and taxes	126,173
Professional fees	6,522
Utilities	28,009
Insurance	38,034
Repairs & maintenance	2,003
Operating supplies	31,433
Auto expense	19,826
Office materials & supplies	11,952
Depreciation	98,028
Permits and fees	5,604
Contracted labor	29,404
Miscellaneous	2,242
Total expenses from operations	<u>875,069</u>
Operating Income (Loss)	(59,969)
Non-Operating Revenues (Expenses):	
Interest income	3,603
Material reimbursements	1,174
Total Non-Operating Revenues (Expenses)	<u>4,777</u>
Change in Net Assets	(55,192)
Total Net Assets, beginning of period	<u>1,978,794</u>
Total Net Assets, end of period	<u><u>\$ 1,923,602</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, 2012

Cash Flows from Operating Activities:

Receipts from customers	\$ 807,299
Payments to employees	(125,045)
Payments to vendors	(656,737)
Receipts of customer deposits	3,550
Refunds of customer utility deposits	(3,976)
Net Cash Provided by Operating Activities	25,091

Cash Flows from Financing Activities:

Sale (purchase) of capital assets	(33,885)
Reimbursements for materials	1,174
Net Cash Provided by (used in) Financing Activities	(32,711)

Cash Flows from Investing Activities:

Interest earned on investments	3,603

Net Increase (Decrease) in Cash (4,017)

Cash and cash equivalents, beginning of period 408,145

Cash and cash equivalents, end of period \$ 404,128

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

Operating Income	\$ (59,969)
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation Expense	98,028
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(7,801)
(Increase) decrease in supplies inventory	(5,869)
Increase (decrease) in refundable deposits	(426)
Increase (decrease) in wages payable	1,128
Net cash provided by operating activities	\$ 25,091

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, 2012

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,	
	2012	2011
First State Bank, Wister, Oklahoma		
Depreciation fund - unrestricted	\$ 102,781	0
Construction fund - unrestricted	0	85,892
Renter's deposit fund - restricted	11,984	12,378
Revenue fund - unrestricted	34,686	58,431
Total	\$ 149,451	156,701

Investments

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

	January 31,	
	2012	2011
Community Bank, Wister, Oklahoma		
Certificates of deposit	\$ 254,677	251,443

WATER DISTRIBUTORS COMPANY, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 31, 2012

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:

	1/31/2011 Amount	Additions	Deletions	1/31/2012 Amount
Plant and water sys.	\$ 3,021,507	23,385	-	3,044,892
Vehicles and equip.	337,178	10,500	-	347,678
Total Fixed Assets	3,358,685	33,885	-	3,392,570
Less: Accumulated Depreciation	(1,868,516)	(98,028)	-	(1,966,544)
Total	\$ 1,490,169	(64,143)	-	1,426,026

Restricted Assets

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

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.

WATER DISTRIBUTORS COMPANY, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 31, 2012

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, 2012, 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	\$ 149,451			149,451	149,451
Investments	250,000	4,677		254,677	254,677
Total	<u>\$ 399,451</u>	<u>1,443</u>	<u>0</u>	<u>404,128</u>	<u>404,128</u>

Note C – Long-Term Debt

There was no new debt incurred in 2011-12 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.

OTHER SUPPLEMENTARY INFORMATION

WATER DISTRIBUTORS COMPANY, INC.
Balance Sheet
January 31, 2012

	JANUARY 31,	
<u>ASSETS</u>	2012	(memo only) 2011
Current Assets:		
Cash	\$ 137,467	144,323
Investments	254,677	251,443
Inventory	30,494	24,625
Accounts receivable	89,328	81,527
Total Current Assets	511,966	501,918
Restricted Assets:		
Renter's deposit cash	11,984	12,379
Fixed Assets:		
Property, plant & equipment	3,392,570	3,358,685
Less: accumulated depreciation	(1,966,544)	(1,868,516)
Total fixed assets (net of depreciation)	1,426,026	1,490,169
Total Assets	\$ 1,949,976	2,004,466
<u>LIABILITIES AND EQUITY</u>		
Current liabilities:		
Wages payable	\$ 4,888	3,760
Renter's deposits	21,486	21,912
Total current liabilities	26,374	25,672
Equity:		
Contributed capital	90,082	90,082
Retained earnings	1,833,520	1,888,712
Total equity	1,923,602	1,978,794
Total Liabilities and Equity	\$ 1,949,976	2,004,466

WATER DISTRIBUTORS COMPANY, INC.
Statement of Revenue, Expenses and Changes in Retained Earnings
For the Year Ended January 31, 2012

	<u>2011-12</u>	<u>(memo only)</u> <u>2010-11</u>
Revenue from operations:		
Water revenue	\$ 807,100	\$ 776,550
Meter sets	8,000	9,500
Total revenue	<u>815,100</u>	<u>786,050</u>
Expenses from operations:		
Water purchases	475,839	454,467
Salaries	98,524	91,421
Taxes	27,649	28,481
Professional fees	6,522	8,939
Utilities	28,009	28,114
Insurance	38,034	49,587
Repairs & maintenance	2,003	11,110
Operating supplies	31,433	31,223
Auto expense	19,826	17,530
Office materials & supplies	11,952	11,304
Depreciation	98,028	99,760
Permits and fees	5,604	7,119
Contracted labor	29,404	29,142
Miscellaneous	2,242	785
Total expenses from operations	<u>875,069</u>	<u>868,982</u>
Net income (loss) from operations	(59,969)	(82,932)
Non-operating revenue:		
Material reimbursements	1,174	389
Interest	3,603	4,153
Total non-operating revenue	<u>4,777</u>	<u>4,542</u>
Net Income (Loss)	(55,192)	(78,390)
Retained earnings, beginning of period	<u>1,888,712</u>	<u>1,967,102</u>
Retained earnings, end of period	<u>\$ 1,833,520</u>	<u>\$ 1,888,712</u>