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OMB APPROVAL	
OMB Number:	3235-0123
Expires:	August 31, 2020
Estimated average burden hours per response.....	12.00

SEC  
 ANNUAL AUDITED REPORT  
 FORM X-17A-5  
 PART III

SEC FILE NUMBER
8-52394

MAR 04 2019

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2018 AND ENDING 12/31/2018  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Watkins Financial Services, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
722 W. Shepard Lane, Ste 103

(No. and Street)

Farmington

(City)

UT

(State)

84025

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Christopher Watkins; 801-451-6367

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Stayner Bates, P.C.

(Name - if individual, state last, first, middle name)

510 S. 200 W, Ste 200

(Address)

Salt Lake City

(City)

UT

(State)

84101

(Zip Code)

**CHECK ONE:**

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

RMS

OATH OR AFFIRMATION

I, Christopher Watkins, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Watkins Financial Services, Inc. as of December 31, 2018, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

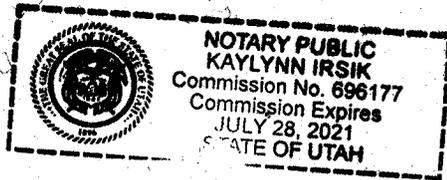
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*[Handwritten Signature]*  
Signature

President

Title

*[Handwritten Signature]*  
Notary Public



This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**SECURITIES AND EXCHANGE  
COMMISSION  
WASHINGTON, D.C.**

**ANNUAL AUDIT REPORT**

**DATE – DECEMBER 31, 2018**

**WATKINS FINANCIAL SERVICES, INC.**

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Salt Lake City, Utah 84101  
801 531 9100  
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Owners of  
**Watkins Financial Services, Inc.**  
Farmington, Utah

**Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of Watkins Financial Services, Inc. as of December 31, 2018, the related statements of operations, stockholders' equity, and cash flows for the year then ended, and the related notes and schedules (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of Watkins Financial Services, Inc. as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of Watkins Financial Services, Inc.'s management. Our responsibility is to express an opinion on Watkins Financial Services, Inc.'s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Watkins Financial Services, Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**Supplemental Information**

The supplementary information, including Schedule I, Computation of Net Capital Pursuant to Rule 15c3-1, Schedule II, Computation for Determination of Reserve Requirements Under Rule 15c3-3 (exemption), and Schedule III, Information Relating to Possession or Control Requirements Under Rule 15c3-3 (exemption) have been subjected to audit procedures performed in conjunction with the audit of Watkins Financial Services, Inc.'s financial statements. The supplemental information is the responsibility of Watkins Financial Services, Inc.'s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Stayner Bates P.C.*

Stayner Bates P.C.  
We have served as auditor of Watkins Financial Services, Inc. since 2009.  
Salt Lake City, UT  
February 28, 2019

**Watkins Financial Services, Inc.**  
**Balance Sheet**  
**December 31, 2018**

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**ASSETS**

Current Assets:

Cash	\$	13,641
Receivables from customers		<u>29,709</u>
Total Current Assets		<u>43,350</u>
Total Assets	\$	<u>43,350</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current Liabilities:

Accounts payable	\$	<u>1,570</u>
Total Current Liabilities		<u>1,570</u>
Total Liabilities		<u>1,570</u>

Stockholders' Equity:

Common stock - \$ 0.10 par value; 1,000 authorized shares, 1,000 shares issued and outstanding		100
Additional paid-in capital		38,900
Retained Earnings		<u>2,780</u>
Total Stockholders' Equity		<u>41,780</u>
Total Liabilities and Stockholders' Equity	\$	<u>43,350</u>

The accompanying notes are an integral part of these financial statements

**Watkins Financial Services, Inc.**  
**Statement of Operations**  
**For the Year Ended December 31, 2018**

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Revenues - commissions	<u>\$ 302,196</u>
Expenses	
Officer concessions	244,500
Other general and administrative	<u>40,738</u>
Total Expenses	<u>285,238</u>
Net Income	<u>\$ 16,958</u>

The accompanying notes are an integral part of these financial statements

**Watkins Financial Services, Inc.**  
**Statement of Stockholders' Equity**  
**For the Year Ended December 31, 2018**

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	Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount			
Balance, January 1, 2018	1,000	\$ 100	\$ 38,900	\$ (14,178)	\$ 24,822
Net income	-	-	-	16,958	16,958
Balance, December 31, 2018	<u>1,000</u>	<u>\$ 100</u>	<u>\$ 38,900</u>	<u>\$ 2,780</u>	<u>\$ 41,780</u>

The accompanying notes are an integral part of these financial statements

**Watkins Financial Services, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2018**

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**Cash Flows From Operating Activities:**

Net income	\$	16,958
Adjustments to reconcile net income to net cash used in operating activities:		
Change in assets and liabilities:		
Receivables from customers		(10,142)
Accounts payable		(1,701)
Accrued liabilities		(4,000)
		<hr/>
Net Cash Provided by Operating Activities		1,115

**Cash Flows From Investing Activities:**

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-

**Cash Flows From Financing Activities:**

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-

Net increase in cash		<hr/> 1,115
Cash, beginning of year		<hr/> 12,526
Cash, end of year	\$	<hr/> 13,641

**Supplemental Cash Flow Information**

Cash paid for interest	\$	-
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The accompanying notes are an integral part of these financial statements

**Watkins Financial Services, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2018**

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**1. Nature of Operations**

Watkins Financial Services, Inc. (the "Company") was incorporated in the State of Utah on January 7, 2000, for the purpose of operating a broker dealer business. All issued shares of the Company's common stock are held by one shareholder (the shareholder).

**2. Summary of Significant Accounting Policies**

The Company's accounting policies reflect practices of the financial services industry and conform to generally accepted accounting principles. The following policies are considered to be significant:

**Basis of presentation**

The financial statements and accompanying notes have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. The Company has elected a December 31 year-end.

**Revenue and cost recognition**

Revenues are recognized as follows:

- *Commissions:* Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.
- *Securities Transactions:* Securities transactions are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances in making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. While actual results could differ from those estimates, management believes that the estimates are reasonable.

**Watkins Financial Services, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2018**

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**2. Summary of Significant Accounting Policies (Continued)**

**Income taxes**

The Company has elected, with the consent of its shareholder, to be taxed as an "S" corporation under the Internal Revenue Service Code Section 1362. An "S" Corporation does not generally pay income taxes, but instead, its shareholders are taxed on the Company's income. Therefore these statements will not include any provision for corporate income tax.

The Company's Forms 1120S, *U.S. Income Tax Return for an S Corporation*, for the years ending December 31, 2018, December 31, 2017, December 31, 2016, and December 31, 2015 are subject to examination by the IRS and state tax agencies, generally for three years after they are filed. Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statement only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more likely than not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. Management has evaluated the tax positions reflected in the Company's tax filings and does not believe that any material uncertain tax positions exist.

**Cash and cash equivalents**

For the purpose of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Receivables from customers**

The Company's accounts receivable are generally short-term in nature; thus, the Company does not accrue finance or interest charges. Accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition. Management has evaluated the accounts and believes they are all collectible at December 31, 2018. No allowance for uncollectible accounts has been provided.

**Advertising**

The Company follows the policy of charging the cost of advertising to expense as incurred. Advertising expense was \$0 for the year ended December 31, 2018.

**Fair value of financial instruments**

The fair value of financial instruments including cash, contracts receivable, accounts payable, and notes payable approximate book values at December 31, 2018.

**Watkins Financial Services, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2018**

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**2. Summary of Significant Accounting Policies (Continued)**

**Concentrations of credit risk**

The Company provides consulting and brokerage services to corporations, pension and retirement funds, and individuals in the United States. Substantially all revenues and receivables relate to providing services to these entities and individuals.

Although the Company is directly affected by the economy, management does not believe significant credit risk exists at December 31, 2018.

Cash is comprised of cash on deposit in the bank. The Company's bank deposits are held in a financial institution which is insured by the Federal Deposit Insurance Corporation ("FDIC") to certain levels. The Company has not experienced any losses in such accounts or lack of access to its cash, and believes it is not exposed to significant risk of loss with respect to cash. However, no assurance can be provided that access to the Company's cash will not be impacted by adverse economic conditions in the financial markets. As of December 31, 2018, the Company did not have any amount in excess of the FDIC coverage.

**Recent accounting pronouncements**

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), which creates ASC Topic 606, *Revenue from Contracts with Customers*, and supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, ASU 2014-09 supersedes the cost guidance in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts, and creates new Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers. In summary, the core principle of Topic 606 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Companies are allowed to select between two transition methods: (1) a full retrospective transition method with the application of the new guidance to each prior reporting period presented, or (2) a retrospective transition method that recognizes the cumulative effect on prior periods at the date of adoption together with additional footnote disclosures. In addition, during 2016 the FASB has issued ASU 2016-08, ASU 2016-10 and ASU 2016-12, all of which clarify certain implementation guidance within ASU 2014-09, and ASU 2016-11, which rescinds certain SEC guidance within the ASC effective upon an entity's adoption of ASU 2014-09. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2018, including interim periods with annual reporting periods beginning after December 15, 2019. Therefore the amendments in ASU 2014-09 will become effective for us as of the beginning of our 2019 fiscal year. We are currently evaluating the impact that the adoption of ASU 2014-09 will have on our financial statements and have not made any decision on the method of adoption.

**Watkins Financial Services, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2018**

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**Recent accounting pronouncements (Continued)**

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires an entity to recognize the rights and obligations resulting from leases as lease assets and lease liabilities on the balance sheet, including leases previously recorded and classified as operating leases. Pursuant to this new guidance, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use assets (lease asset) representing its right to use the underlying asset for the lease term, initially measured at the present value of the lease payments. This new standard is effective for the Company for the year ended December 31, 2020, with early application permitted, using a modified retrospective approach. The Company is currently evaluating the impact of the pending adoption of ASU 2016-02 on its financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) did not or are not believed to have a material impact on our present or future financial statements.

**3. Related Party Transactions**

The Company provides services for individuals and entities that are related to the shareholder of the Company. The Company had \$244,450, or 81% of its revenue, from these individuals and entities for the year ended December 31, 2018.

**4. Fair Value of Financial Instruments**

None of the Company's financial instruments are held for trading purposes. The Company estimates that the fair value of all financial instruments at December 31, 2018 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

**5. Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by the Rule, which requires that the Company maintain minimum net capital of the greater of \$5,000 or 6 2/3% of Aggregate Indebtedness. At December 31, 2018, the Company had net capital of \$41,780, which was \$36,780 in excess of its required net capital of \$5,000.

**Watkins Financial Services, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2018**

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**6. Reserve Requirements**

The Company is exempt from the provisions of Rule 15c3-3 (per paragraph K (2) (i)) under the Securities Exchange Act of 1934, as a broker or dealer which carries no customers' accounts and does not otherwise hold funds or securities of customers and therefore makes no computation for determination of reserve requirements pursuant to the rule.

**7. SIPC Supplementary Report Requirement**

The Company is not required to complete the SIPC Supplementary Report under SEC Rule 17a-5(e)(4) for the year ended December 31, 2018, because the Company's SIPC Net Operating Revenues are under \$500,000.

**8. Subsequent Events**

The Company has evaluated subsequent events through February 28, 2019, the date which the financial statements were available to be issued, and noted no material subsequent events that would require adjustment to or disclosure in these financial statements as of December 31, 2018.

**Watkins Financial Services, Inc.**  
**Computation of Net Capital Pursuant to 15c3-1 of the**  
**Securities and Exchange Commission**  
**December 31, 2018**

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COMPUTATION OF NET CAPITAL

Total ownership equity from statement of financial condition	\$ 41,780
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COMPUTATION OF NET CAPITAL REQUIREMENTS

Minimum net aggregate indebtedness - 6-2/3% of net aggregate indebtedness	\$ 105
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Minimum dollar net capital required	\$ 5,000
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Net Capital required (greater of above amounts)	\$ 5,000
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EXCESS CAPITAL	\$ 36,780
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Excess net capital at 100% (net capital less 10% of aggregate indebtedness)	\$ 41,623
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COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities net of deferred income taxes payable and deferred income	\$ 1,570
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Percentage of aggregate indebtedness to net capital	4%
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The following is a reconciliation of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 179-5(d)(4):

NET CAPITAL PER COMPANY'S COMPUTATION	\$ 41,780
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Audit Adjustments	-
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NET CAPITAL PER AUDIT REPORT	\$ 41,780
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**Watkins Financial Services, Inc.**  
**Computation for Determination of Reserve Requirements Under Rule 15c3-3**  
**(exemption)**  
**December 31, 2018**

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A computation of reserve requirement is not applicable to Watkins Financial Service, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k) (2) (ii).

**Watkins Financial Services, Inc.**  
**Information Relating to Possession or Control Requirements Under Rule 15c3-3**  
**(exemption)**  
**December 31, 2018**

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Information relating to possession or control requirements is not applicable to Watkins Financial Services, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k) (2) (ii).

February 28, 2019

To the Audit Committee of  
Watkins Financial Services, Inc.

In connection with our audit of the financial statements and supplemental information of Watkins Financial Services, Inc. for the year ended December 31, 2018. We have issued our report thereon dated February 28, 2019. Professional standards require that we provide you with the following information related to our audit.

Significant and Critical Accounting Policies and Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The Company's significant accounting policies are disclosed in the notes to the financial statements as required by generally accepted accounting principles pursuant to Rule 17a-5 under the Securities and Exchange Act of 1934. No new accounting policies were adopted and the application of existing accounting policies was not changed during 2018. We noted no transactions entered into by the Company during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

Critical accounting policies and practices are those that are both most important to the portrayal of the Company's financial condition and results and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The critical accounting policies used by Watkins Financial Services, Inc. in its 2018 financial statements are described in Note 2 to the financial statements.

Critical Accounting Estimates

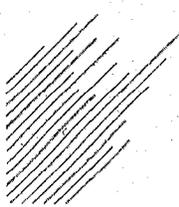
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Critical accounting estimates are estimates for which (1) the nature of the estimate is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change and (2) the impact of the estimate on financial condition or operating performance is material.

Significant Unusual Transactions

For purposes of this letter, professional standards define *significant unusual transactions* as transactions that are outside the normal course of business for the Company or that otherwise appear to be unusual due to their timing, size or nature. We noted no significant unusual transactions during our audit.

Quality of the Company's Financial Reporting

Management is responsible not only for the appropriateness of the accounting policies and practices, but also for the quality of such policies and practices. Our responsibility under professional standards is to evaluate the qualitative aspects of the company's accounting practices, including potential bias in management's judgments about the amounts and disclosures in the financial statements, and to communicate the results of our evaluation and our conclusions to you. Based on our review of the qualitative aspects of the Company's financial reporting the financial statements appear to appropriately represent the financial position of Watkins Financial Services, Inc. as of year end.



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Uncorrected and Corrected Misstatements

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial, and to communicate accumulated misstatements to management. No audit adjustments were made during the year and the net effect of the uncorrected misstatements were inconsequential.

Exceptions to Exemption Provisions

In connection with our review of the Company's exemption report, we did not identify any exceptions to the exemption provisions that would cause the Company's assertions not to be fairly stated, in all material respects.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no disagreements with management arose during the course of our audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Supplemental Information

Based on the regulatory requirements of SEC Rule 17a-5, the Company presents supplemental information that accompanies the financial statements. We subjected that supplemental information to audit procedures in accordance with PCAOB Auditing Standard No. 17, *Auditing Supplemental Information Accompanying Audited Financial Statements*. Based on our audit procedures performed, the supplemental information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This information is intended solely for the use of the Audit Committee, Board of Directors, and management of Watkins Financial Services, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Stayner Bates P.C.*

Stayner Bates P.C.  
Salt Lake City, UT

To the Audit Committee and Management of  
Watkins Financial Services, Inc.

In planning and performing our audit of the financial statements of Watkins Financial Services, Inc. as of and for the year ended December 31, 2018, we considered the company's internal control in order to determine auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be significant deficiencies under standards established by the Public Company Accounting Oversight Board (PCAOB). A control deficiency 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 misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. We did not identify any control deficiencies that we believe to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

We noted the following deficiency that we believe to be a significant deficiency.

**Lack of Segregation – Design/ Operating Deficiency:** Auditor standards outline effective internal control policies and procedures over financial reporting and state that control activities (i.e. policies or actions implemented to support the assertion that financial information is captured and recorded correctly in a company's records) should be selected and developed at various levels of the company to better achieve financial reporting objectives, and to reduce risks of mismanagement of assets, and fraud.

This segregation of duties becomes inherently more difficult for smaller companies to implement due to the limited size, and resources of the company.

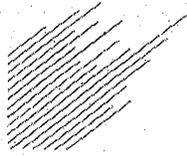
The application and extent of segregation of duties in smaller companies should be examined through a cost to benefit analysis. Management must be aware, and acknowledge the assumption of additional risk over financial reporting due to a lack of segregation over incompatible duties.

We noted throughout our audit that management, due to limited employees, has chosen not to separate incompatible activities of recording, custody, and authorization of financial reporting transactions, thereby creating risks to the financial reporting objectives.

This letter is intended solely for the information and use of the Audit Committee, management, and others within the Watkins Financial Services, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

*Stayner Bates P.C.*

Stayner Bates P.C.  
Salt Lake City, UT  
February 28, 2019





Stayner Bates P.C.  
510 S 200 W Suite 200  
Salt Lake City, Utah 84101  
801 531 9100  
Fax: 801 531 9147  
stayner.com

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Owners of  
**Watkins Financial Services, Inc.**  
Farmington, Utah

We have reviewed management's statements, included in the accompanying exemption report, in which (1) Watkins Financial Services, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which Watkins Financial Services, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3: (k)(2)(ii) (the "exemption provisions") and (2) Watkins Financial Services, Inc. stated that Watkins Financial Services, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. Watkins Financial Services, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Watkins Financial Services, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*Stayner Bates P.C.*

Stayner Bates P.C.  
Salt Lake City, UT  
February 28, 2019

February 26, 2019

Stayner Bates & Jensen  
510 South 200 West Suite 200  
Salt Lake City, UT 84101

Attention: Benjamin Young, CPA

Re: SEC Rule 17a-5(d)(4) Exemption Report

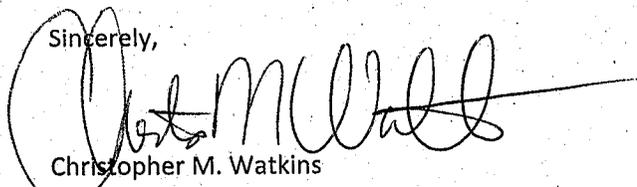
Dear Mr. Young,

Pursuant to the referenced rule, the following information is provided.

Under its membership agreement with FINRA and pursuant to rule 15c3-3 (k) (2) (ii) the company conducts business on a fully disclosed basis and does not execute or clear securities transactions for customers who carries no margin accounts, promptly transmits all customer funds and delivers all securities received in connection with its activities as a broker or dealer, does not otherwise hold funds or securities for, or owe money or securities to, customers and effectuates all financial transaction between the broker or dealer and its customers through one or more bank accounts, each to be designated as "special Account for the Exclusive Benefit of Customers of Watkins Financial Services, Inc."

Watkins Financial Services met the Section 204, 15c3-3 (k) (2) (ii) exemption for the period January 01, 2018 to December 31, 2018.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris M. Watkins", with a long horizontal line extending to the right.

Christopher M. Watkins  
President  
Watkins Financial Services

February 28, 2019

To the Audit Committee of  
Watkins Financial Services, Inc.

In connection with our audit of the financial statements and supplemental information of Watkins Financial Services, Inc. for the year ended December 31, 2018. We have issued our report thereon dated February 28, 2019. Professional standards require that we provide you with the following information related to our audit.

Significant and Critical Accounting Policies and Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The Company's significant accounting policies are disclosed in the notes to the financial statements as required by generally accepted accounting principles pursuant to Rule 17a-5 under the Securities and Exchange Act of 1934. No new accounting policies were adopted and the application of existing accounting policies was not changed during 2018. We noted no transactions entered into by the Company during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

Critical accounting policies and practices are those that are both most important to the portrayal of the Company's financial condition and results and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The critical accounting policies used by Watkins Financial Services, Inc. in its 2018 financial statements are described in Note 2 to the financial statements.

Critical Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Critical accounting estimates are estimates for which (1) the nature of the estimate is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change and (2) the impact of the estimate on financial condition or operating performance is material.

Significant Unusual Transactions

For purposes of this letter, professional standards define *significant unusual transactions* as transactions that are outside the normal course of business for the Company or that otherwise appear to be unusual due to their timing, size or nature. We noted no significant unusual transactions during our audit.

Quality of the Company's Financial Reporting

Management is responsible not only for the appropriateness of the accounting policies and practices, but also for the quality of such policies and practices. Our responsibility under professional standards is to evaluate the qualitative aspects of the company's accounting practices, including potential bias in management's judgments about the amounts and disclosures in the financial statements, and to communicate the results of our evaluation and our conclusions to you. Based on our review of the qualitative aspects of the Company's financial reporting the financial statements appear to appropriately represent the financial position of Watkins Financial Services, Inc. as of year end.



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Uncorrected and Corrected Misstatements

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial, and to communicate accumulated misstatements to management. No audit adjustments were made during the year and the net effect of the uncorrected misstatements were inconsequential.

Exceptions to Exemption Provisions

In connection with our review of the Company's exemption report, we did not identify any exceptions to the exemption provisions that would cause the Company's assertions not to be fairly stated, in all material respects.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no disagreements with management arose during the course of our audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Supplemental Information

Based on the regulatory requirements of SEC Rule 17a-5, the Company presents supplemental information that accompanies the financial statements. We subjected that supplemental information to audit procedures in accordance with PCAOB Auditing Standard No. 17, *Auditing Supplemental Information Accompanying Audited Financial Statements*. Based on our audit procedures performed, the supplemental information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This information is intended solely for the use of the Audit Committee, Board of Directors, and management of Watkins Financial Services, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Stayner Bates P.C.*

Stayner Bates P.C.  
Salt Lake City, UT

To the Audit Committee and Management of  
Watkins Financial Services, Inc.

In planning and performing our audit of the financial statements of Watkins Financial Services, Inc. as of and for the year ended December 31, 2018, we considered the company's internal control in order to determine auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be significant deficiencies under standards established by the Public Company Accounting Oversight Board (PCAOB). A control deficiency 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 misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. We did not identify any control deficiencies that we believe to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

We noted the following deficiency that we believe to be a significant deficiency.

**Lack of Segregation – Design/ Operating Deficiency:** Auditor standards outline effective internal control policies and procedures over financial reporting and state that control activities (i.e. policies or actions implemented to support the assertion that financial information is captured and recorded correctly in a company's records) should be selected and developed at various levels of the company to better achieve financial reporting objectives, and to reduce risks of mismanagement of assets, and fraud.

This segregation of duties becomes inherently more difficult for smaller companies to implement due to the limited size, and resources of the company.

The application and extent of segregation of duties in smaller companies should be examined through a cost to benefit analysis. Management must be aware, and acknowledge the assumption of additional risk over financial reporting due to a lack of segregation over incompatible duties.

We noted throughout our audit that management, due to limited employees, has chosen not to separate incompatible activities of recording, custody, and authorization of financial reporting transactions, thereby creating risks to the financial reporting objectives.

This letter is intended solely for the information and use of the Audit Committee, management, and others within the Watkins Financial Services, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

*Stayner Bates P.C.*

Stayner Bates P.C.  
Salt Lake City, UT  
February 28, 2019



Stayner Bates P.C.  
510 S 200 W Suite 200  
Salt Lake City, Utah 84101  
801 531 9100  
Fax: 801 531 9147  
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Owners of  
**Watkins Financial Services, Inc.**  
Farmington, Utah

We have reviewed management's statements, included in the accompanying exemption report, in which (1) Watkins Financial Services, Inc. identified the following provisions of 17 C.F.R. §15c3-3(k) under which Watkins Financial Services, Inc. claimed an exemption from 17 C.F.R. §240.15c3-3: (k)(2)(ii) (the "exemption provisions") and (2) Watkins Financial Services, Inc. stated that Watkins Financial Services, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. Watkins Financial Services, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Watkins Financial Services, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*Stayner Bates P.C.*

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Salt Lake City, UT  
February 28, 2019

February 26, 2019

Stayner Bates & Jensen  
510 South 200 West Suite 200  
Salt Lake City, UT 84101

Attention: Benjamin Young, CPA

Re: SEC Rule 17a-5(d)(4) Exemption Report

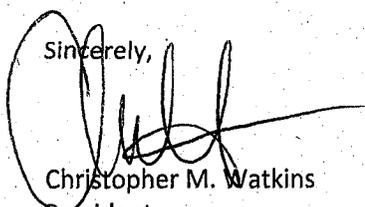
Dear Mr. Young,

Pursuant to the referenced rule, the following information is provided.

Under its membership agreement with FINRA and pursuant to rule 15c3-3 (k) (2) (ii) the company conducts business on a fully disclosed basis and does not execute or clear securities transactions for customers who carries no margin accounts, promptly transmits all customer funds and delivers all securities received in connection with its activities as a broker or dealer, does not otherwise hold funds or securities for, or owe money or securities to, customers and effectuates all financial transaction between the broker or dealer and its customers through one or more bank accounts, each to be designated as "special Account for the Exclusive Benefit of Customers of Watkins Financial Services, Inc."

Watkins Financial Services met the Section 204, 15c3-3 (k) (2) (ii) exemption for the period January 01, 2018 to December 31, 2018.

Sincerely,



Christopher M. Watkins  
President  
Watkins Financial Services