

**RURAL WATER MANAGEMENT DISTRICT NO. 15,
OSAGE COUNTY, OKLAHOMA**

ANNUAL FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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OSAGE COUNTY, OKLAHOMA
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Independent Auditor's Report

Board of Directors
Rural Water Management District No. 15,
Osage County, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Rural Water Management District No. 15, Osage County, Oklahoma, which comprise the statements of net position as of June 30, 2015 and 2014 and the related statements of revenues and expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance 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 an 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 audit opinions.

Opinions

In our opinions, the financial statements referred to above, present fairly, in all material respects, the financial position of Rural Water Management District No. 15, Osage County, Oklahoma, as of June 30, 2015 and 2014; the changes in financial position; and cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

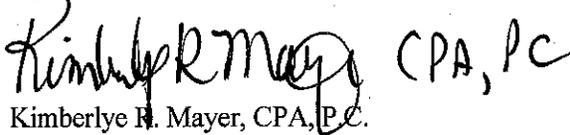
Other Matters

Required Supplementary Information

Rural Water Management District No. 15, Osage County, Oklahoma has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basis financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basis 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 a report dated December 29, 2015 on our consideration of Rural Water Management District No. 15, Osage County, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That 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.

 CPA, P.C.

Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
December 29, 2015

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
Rural Water Management District No. 15,
Osage County, Oklahoma

We have audited the financial statements of Rural Water Management District No. 15, Osage County, Oklahoma as of and for the year ended June 30, 2015 and have issued our report thereon dated December 29, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rural Water Management District No. 15, Osage County, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Rural Water Management District No. 15, Osage County, Oklahoma 's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rural Water Management District No. 15, Osage County, Oklahoma's internal control.

Our consideration of internal control 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 control deficiencies, in internal control that there is reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

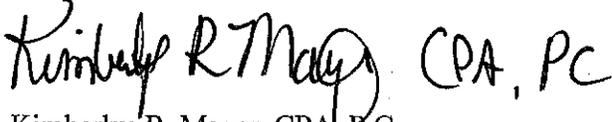
As part of obtaining reasonable assurance about whether Rural Water Management District No. 15, Osage County, Oklahoma 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with 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 or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

Rural Water Management District No. 15, Osage County, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Rural Water Management District No. 15, Osage County, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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.

 CPA, PC

Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
December 29, 2015

RURAL WATER MANAGEMENT DISTRICT NO. 15, OSAGE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED JUNE 30, 2015 AND 2014

Material Weakness Communicated In Prior Year:

Material Weakness in Internal Control Over Financial Reporting: Inadequate Segregation of Duties:

Criteria:

The segregation of duties and responsibilities between different individuals and the reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition:

Presently, the same individual is responsible for water service billings and receiving payments; making and recording deposits; and maintaining billing registers. Only limited oversight is provided over this individual in the conduct of their daily functions.

Cause:

The entity's limited size has made it difficult for management to fully segregate the duties.

Effect or Potential Effect:

Without sufficient segregation of duties, the risk significantly increases that errors and/or fraud related to the water billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation:

The board should evaluate the risks associated with the lack of segregation of duties and consider implementing controls that could mitigate these risks.

Board's Response:

The board has concluded that due to the limited number of personnel, an adequate segregation of duties is not achievable and that the cost of correcting the weakness would exceed the benefits that would be derived from it.

FINANCIAL STATEMENTS

AND

NOTES

RURAL WATER MANAGEMENT DISTRICT NO. 15,
OSAGE COUNTY, OKLAHOMA
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014

ASSETS		
	2015	2014
Current Assets:		
Cash and cash equivalents (Note 6)	\$ 443,210	\$ 517,315
Certificates of deposit	692,524	691,767
Accounts receivable	167,578	166,330
Prepaid expenses	32,039	31,261
Inventory	71,170	67,032
Notes receivable (current portion)(Note 5)	11,353	10,915
Total Current Assets	1,417,874	1,484,620
Restricted Assets:		
Loan trust accounts	99,980	98,787
Other Assets:		
Intangible assets (net of accumulated amortization) (Note 3)	855,783	855,783
Deposits	1,189	1,189
Total Other Assets	856,972	856,972
Non-current Assets:		
Capital assets (net of accumulated depreciation)(Note 2):		
Property and equipment	6,303,854	6,190,161
Construction in progress	643,154	120,336
Notes receivable, (noncurrent portion)(Note 5)	471,583	482,936
Total Noncurrent Assets	7,418,591	6,793,433
Total Assets	\$ 9,793,417	\$ 9,233,812
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts payable	\$ 50,534	\$ 58,915
Accrued interest due	14,497	12,831
Notes payable (current portion) (Note 4)	161,797	135,283
Total Current Liabilities	226,828	207,029
Non-current Liabilities:		
Notes payable, long term (Note 4)	3,562,056	3,308,485
Total Non-current Liabilities	3,562,056	3,308,485
Total Liabilities	3,788,884	3,515,514
Net Position:		
Net investment in capital assets	4,165,610	3,722,512
Restricted for debt service	582,916	592,638
Unrestricted	1,256,007	1,403,148
Total Net Position	6,004,533	5,718,298
Total Liabilities and Net Position	\$ 9,793,417	\$ 9,233,812

The accompanying report and notes are an integral part of these financial statements.

RURAL WATER MANAGEMENT DISTRICT NO. 15
OSAGE COUNTY, OKLAHOMA
STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating Revenue:		
Water service	\$ 1,845,941	\$ 1,827,798
Service fees	5,850	17,255
Late penalties	64,650	54,439
Other revenues	28,323	30,589
Total Operating Revenue	<u>1,944,764</u>	<u>1,930,081</u>
Operating Expense:		
Wages	362,982	345,201
Payroll taxes	30,959	22,093
Employee benefits	133,626	114,420
Water costs	657,439	602,583
Advertising, promotion & memberships	5,167	5,398
Service charges	4,309	6,736
Fuel	23,912	25,142
Repairs and maintenance	44,687	69,117
Insurance	46,114	44,623
Licenses, fees & permits	17,197	18,191
Professional fees	25,320	27,436
Bad debts expense	8,657	5,224
Office and postage	38,192	46,766
Meetings, training & travel	8,643	6,211
Utilities & telephone	61,763	55,819
Other expenses	4,223	11,401
Depreciation	223,556	227,121
Total Operating Expense	<u>1,696,746</u>	<u>1,633,482</u>
Income (Loss) From Operations	248,018	296,599
Non-operating Revenue (Expense):		
Gain on sale of assets		
Interest income	29,432	21,226
Membership fees	119,950	82,500
Interest expense	(111,165)	(159,198)
Loan closing fees		(51,771)
Total Non-operating Revenue (Expense)	<u>38,217</u>	<u>(107,243)</u>
Change in Net Position	286,235	189,356
Net Position, beginning of year	5,718,298	5,320,872
Assets from acquisition of water district (Note 1)		208,070
Net Position, end of year	<u>\$ 6,004,533</u>	<u>\$ 5,718,298</u>

The accompanying report and notes are an integral part of these financial statements.

RURAL WATER MANAGEMENT DISTRICT NO. 15,
OSAGE COUNTY, OKLAHOMA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities:		
Cash received from customers	\$ 1,943,516	\$ 1,909,737
Cash payments to suppliers for goods and services	(1,121,839)	(1,130,188)
Cash payments to employees for services	(362,982)	(345,201)
Net cash provided (used) by operating activities	458,695	434,348
Cash flows from non-capital financing activities:		
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(860,067)	(181,252)
New borrowings	504,350	
Funds from acquisition of water district		121,902
Principal paid on notes and loans	(224,265)	(87,981)
Interest paid on notes and loans	(109,499)	(156,224)
Principal received on notes	10,915	10,494
Interest received on notes	27,766	21,226
New memberships	119,950	82,500
Net cash provided (used) by financing activities	(530,850)	(189,335)
Cash flows from investing activities:		
(Increase)Decrease in Certificates of Deposit	(757)	52,731
(Increase) decrease in reserve accounts	(1,193)	(69,024)
Net cash provided (used) by investing activities	(1,950)	(16,293)
Net increase (decrease) in cash and cash equivalents	(74,105)	228,720
Beginning cash and cash equivalents	517,315	288,595
Ending cash and cash equivalents	\$ 443,210	\$ 517,315
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Income (Loss) from operations	\$ 248,018	\$ 296,599
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	223,556	227,121
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,248)	(20,344)
(Increase) decrease in inventory	(4,138)	(1,696)
(Increase) decrease in prepaids	(778)	8,501
Increase (decrease) in payables	(6,715)	(75,833)
Net cash provided (used) by operating activities	\$ 458,695	\$ 434,348

The accompanying report and notes are an integral part of these financial statements.

RURAL WATER MANAGEMENT DISTRICT NO. 15,
OSAGE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

The water system was originally created as a nonprofit entity. In 1989 the Rural Water Management District No. 15, Osage County, Oklahoma was created under the provisions of Title 82 of the Oklahoma Statutes, Section 1324.1 – 1324.35 and the laws of the State of Oklahoma. All of the assets, easements and property as well as the debt, liabilities and obligations of the nonprofit entity were transferred to Rural Water Management District No. 15, Osage County, Oklahoma. The purpose of the District is to furnish and supply to owners and occupants of property within the corporate limits water, sewer and related facilities and services. In 1998 the District's system increased when it purchased RWD #11, Osage County. On July 1, 2013, the District finalized the purchase of RWD #9, Osage County.

The District is a governed entity administered by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board is comprised of elected board members. Of the seven, four are elected as officers of the District.

Basis of Accounting

The accounting policies of Rural Water Management District No. 15, Osage County, Oklahoma conform to the basic principles of governmental accounting and financial reporting set forth by the Governmental Accounting Standards Board.

The District is classified as an Enterprise Fund. The costs of providing the water services to the public are financed mainly through user charges. The financial statements of the District have been prepared using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Restricted Assets

Restricted assets are cash and cash equivalents, whose use is limited by legal requirements. Restricted cash with fiscal agent represents amounts required by debt covenant to be segregated for debt payments and accrued interest on the notes.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net investment in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Inventory

Inventory is stated at the lower of cost or market.

RURAL WATER MANAGEMENT DISTRICT NO. 15,
OSAGE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 2 - PROPERTY AND EQUIPMENT:

Depreciable assets are recorded at cost when purchased or constructed. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. Total depreciation for the year ended June 30, 2015 and 2014 was \$223,556 and \$227,121 respectively. The following is a summary by category of changes in property and equipment:

Category	6/30/14	Additions	Deletions	6/30/15
Land	\$ 100,631	\$	\$	\$ 100,631
Vehicles	192,899			192,899
Buildings and improvements	831,631			831,631
Water system	6,881,364	332,565		7,213,929
Office equipment	43,230	4,684		47,914
Machinery and equipment	353,162			353,162
Accumulated depreciation	(2,212,756)	(223,556)		(2,436,312)
Net	<u>\$ 6,190,161</u>	<u>\$ 113,693</u>	<u>\$</u>	<u>\$ 6,303,854</u>

NOTE 3 - INTANGIBLE ASSETS:

The District acquired certain rights with the Corps of Engineers (Corps) as part of the assets assumed from the nonprofit entity. The rights include:

Storage Space Rights: The District has the right to utilize a fixed percentage of the usable storage space in Skiatook Lake, or approximately 2,000 acre-feet, to impound water for anticipated future demand or need and to withdraw this water from the lake. An associated note payable in the amount of \$563,867 was assumed by the District for these rights. During and upon repayment of this note, the District indefinitely retains the right to the storage space. In prior years, before a change in accounting pronouncements, amortization of \$183,257 was recognized.

Conduit Rights: The District has the right to use a conduit constructed by the Corps for the withdrawal of water from the Skiatook Lake. An associated note payable in the amount of \$703,960 was assumed by the District for these rights. During and upon repayment of the note the District indefinitely retains the right to use the conduit. In prior years, before a change in accounting pronouncements, amortization of \$228,787 was recognized.

Management has performed its annual evaluation of these intangible assets and has determined that no impairments are necessary as the fair market values exceed the carrying costs as of June 30, 2015.

RURAL WATER MANAGEMENT DISTRICT NO. 15,
OSAGE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENT
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 4 – NOTES PAYABLE:

Corps Storage Space Usage: This contract was assumed when the District acquired the obligation from the nonprofit entity. Under this contract the District is to reimburse the Corps for the construction costs of the water storage space in Skiatook Lake. No principal was due or interest accrued during the first ten years of the contract. After the first ten years of the contract, in 1995, annual interest payments at 4.012% were paid. Principal payments will commence upon usage of the storage space with the full contract being repaid on or before October 1, 2034.

Corps Conduit Usage: This contract was assumed when the District acquired the obligation from the nonprofit entity. Under this contract the District is to reimburse the Corps for the construction costs of the conduit at Skiatook Lake. No principal was due or interest accrued during the first ten years of the contract. After the first ten years of the contract annual interest payments at 4.012% would accrue until usage of the conduit. Principal and interest payments will commence upon usage of the storage space with the full contract being repaid on or before September 2040. The District has begun usage of the conduit and are making annual payments of \$31,570.

OWRB 2002: In November 2002, the District entered into a \$435,000 note payable agreement for construction projects. The interest rate is variable and periodically adjusted by the OWRB. Monthly payments are remitted to a local trustee who administers the semiannual payments to OWRB. The note matures in September 2032. The note is secured by the District's revenues.

OWRB 2007: In May 2007, the District entered into a revolving loan agreement to finance construction projects which were completed in the year ending June 30, 2009 at a cost of \$2,665,758. The note carries an interest rate of 3.78% and payments are made semi-annually over 20 years. The note is secured by the District's revenues. This note was refinanced in April of 2014 at an interest rate of 2.95%. Payments are semiannual over 10 years.

OWRB 2014a Drinking Water SRF: In October 2014, the District entered into a \$815,000 note payable agreement for construction projects. The interest rate is 2.17% and the administration fee is .5%. The maturity date of this note is 20 years after the project is completed. Monthly payments are remitted to a trustee bank who administers the semiannual payments to OWRB. At June 30, 2015, \$504,350 had been advanced from this note.

The following is a schedule of the notes payable at June 30, 2015 and 2014:

	<u>6/30/2014</u>	Principle <u>Payments</u>	Principle <u>Borrowings</u>	<u>6/30/2015</u>
Corps storage space	\$ 563,867	\$	\$	\$ 563,867
Corps conduit	493,851	10,915		482,936
OWRB 2002	291,050	8,350		282,700
OWRB 2014	2,095,000	205,000		1,890,000
OWRB 2014a			504,350	504,350
	<u>\$ 3,443,768</u>	<u>\$ 224,265</u>	<u>\$ 504,350</u>	<u>\$ 3,723,853</u>

RURAL WATER MANAGEMENT DISTRICT NO. 15,
OSAGE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 4 – NOTES PAYABLE (Continued):

The following is a summary of the District’s future annual debt requirements:

<u>Year Ending</u>	<u>Payments</u>	<u>Principle</u>	<u>Interest</u>
6/30/16	\$ 292,142	\$ 161,797	\$ 130,345
6/30/17	291,656	174,442	117,214
6/30/18	292,713	180,997	111,716
6/30/19	293,988	187,975	106,013
6/30/20	294,956	195,039	99,917
6/30/21-6/30-25	1,497,156	1,023,113	474,043
6/30/26-6/30/30	1,155,399	927,634	227,765
6/30/31-6/30/35	862,481	707,524	154,957
6/30/36-6/30/40	157,850	135,079	22,771
6/30/41	31,570	30,253	1,317
	<u>\$ 5,169,911</u>	<u>\$ 3,723,853</u>	<u>\$ 1,446,058</u>

NOTE 5 – NOTES RECEIVABLE:

In connection with the conduit contract, the District entered into contracts with the cities of Skiatook, Sand Springs and Sapulpa, which allowed these cities to use the conduit on Skiatook Lake. The District allocates its annual payment to the Corps between these three cities based on their respective usage. Notes receivable bearing an interest rate of 4.012% and a 50-year term has been recognized by the District. The balance of this note at June 30, 2015 is \$482,936.

NOTE 6 - CASH AND CASH EQUIVALENTS:

The District considers all checking and savings accounts (except restricted accounts) and deposits with a maturity of three months or less to be cash equivalents.

NOTE 7 - RETIREMENT PLANS:

The District maintains a retirement plan for its qualified employees. The District contributes 3% to the eligible employees gross wages to this plan. The amount contributed by the District during the year ended June 30, 2015 and 2014 was \$11,064 and \$9,183 respectively.

RURAL WATER MANAGEMENT DISTRICT NO. 15,
OSAGE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENT
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 8 - INVESTMENTS:

The State of Oklahoma allows government entities to invest in the following: direct obligations of the United States government, its agencies or instrumentalities, collateralized or insured certificates of deposit, insured savings accounts or savings certificates, or county, municipal or school district direct debt.

NOTE 9 - DEPOSITS, INVESTMENTS AND COLLATERAL:

At June 30, 2015, all of the District's deposits were covered by the Federal Depository Insurance Corporation or collateralized. The District's primary financial institution has established a deposit and investment account for funds in excess of the insured limits, where funds can be transferred to a securities account carried and administered by a third party investment company.

NOTE 10 - ESTIMATES:

The preparation of financial statements in conformity with the generally accepted accounting principles 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. Accordingly, actual results could differ from those estimates.

NOTE 11 - CONTINGENCIES:

As of June 30, 2015 and 2014 the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

NOTE 12 - RISK MANAGEMENT:

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District manages this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. The District has had no claims that exceeded its insurance coverage.

RURAL WATER MANAGEMENT DISTRICT NO. 15,
OSAGE COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENT
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 13 – FAIR VALUES OF FINANCIAL INSTRUMENTS:

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).

Level 3: Significant unobservable inputs (including the District's own assumptions in determining the fair value of investments).

The District's financial instruments include cash and cash equivalents, certificates of deposit, inventory, accounts receivable, accounts payable and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

NOTE 14 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through December 29, 2015 the date which the financial statements were available to be issued.