

**Financial Statements and Reports of
Independent Certified Public Accountant
Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
December 31, 2014**

TURNER & ASSOCIATES, PLC
Certified Public Accountants
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918.256.6788

**Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Water District Officials
December 31, 2014**

Board of Directors

Name	Position	Term Expires
John Webb	Chairman	2016
Terry Schroder	Vice Chairman	2015
Robert Webb	Secretary	2015
Don Wilcoxon	Treasurer	2017
Justin Crites	Member	2015
Del Patterson	Member	2017
Charles Woods	Member	2016

**Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Flint Ridge Rural Water District, Adair & Delaware Counties

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Flint Ridge Rural Water District, Adair & Delaware Counties, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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 opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the special revenue fund activities of the Flint Ridge Rural Water District, Adair & Delaware Counties, as of December 31, 2014, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note I, the financial statements present only the Flint Ridge Rural Water District, Adair & Delaware Counties, and do not purport to, and do not present fairly the financial position of the Counties of Adair and Delaware, Oklahoma, as of December 31, 2014, and the changes in their financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 19 and the management discussion and analysis on pages 5-7 be presented to supplement the basic financial statements. Such 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 basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

TURNER & Associates, PLLC

Vinita, Oklahoma

April 14, 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
Flint Ridge Rural Water District, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Flint Ridge Rural Water District, Oklahoma, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Flint Ridge Rural Water District, Oklahoma's basic financial statements and have issued our report thereon dated April 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Flint Ridge Rural Water District, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Flint Ridge Rural Water District, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Flint Ridge Rural Water District, 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.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We found no instances of deficiency in internal control.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We found no instances of significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Flint Ridge Rural Water District, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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. We found no instances of noncompliance.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

TURNER & Associates, PLLC

Vinita, Oklahoma
April 14, 2015



FLINT RIDGE RURAL WATER DISTRICT

For Adair and Delaware Counties

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Flint Ridge Rural Water District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2014. Please read it in conjunction with the Auditor's reports and financial statements.

FINANCIAL HIGHLIGHTS

The District's net position decreased by \$139,928 or 5.06% from \$2,767,271 to \$2,627,343. Operating revenues increased by \$17,680 or 4.11% from \$430,565 to \$448,245. Operating expenses increased \$84,593 or 21.59% from \$410,138 to \$498,699. The operating expense increase was due to the completion of the 2013 mainline replacement that resulted in an additional depreciation expense of \$91,988. The Board approved the 2014 budget anticipating a negative cash flow for the year. Rather than increasing water rates to customers, the Board chose to use prior year miscellaneous income to fund 2014 shortfall.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position shows the net assets and liabilities of the District at year-end. The Statement of Activities shows the District's income and expenses for the current year. The Statement of Cash Flows shows the cash position of the District at year-end and reflects the change in cash balances from the beginning of the year to the year-end.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine profitability, credit worthiness, and whether the District has successfully recovered all of its costs through its user fees and other charges. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities and provides answers to such questions as "from where did cash come?", "for what was cash used?", and "what was the change in cash balances during the reporting period?"

UNAUDITED

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

One of the most important questions asked about the District's finances is *"Is the District, as a whole, better-off or worse-off as a result of the years activities?"*. The Statement of Activities report information about the net position of the District's activities in a way that will help answer this question. These two statements report the net position of the District and changes in it. You can think of the District's net position—the difference between assets and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation that may affect the District.

Our analysis below focuses on the District's net position (Table 1) and changes in net position (Table 2) during the year.

	Dec. 31,2014	Dec. 31,2013
Current Assets	\$ 128,487	\$ 185,452
Restricted Assets	72,790.61	59,571.09
Capital Assets – Net of Depreciation	5,782,170.39	5,931,237.11
Other Assets	18,821.88	22,374.54
Total Assets	6,002,449.87	6,198,634.68
 Total Liabilities	 3,375,106.24	 3,431,363.24
 Net Assets, Invested in Capital Assets Net of Debt	 2,437,091.25	 2,538,831.64
Net Assets, Restricted	72,790.61	59,571.09
Net Assets, Unrestricted	117,281.77	168,868.71
Total Net Assets	\$ 2,627,344	\$ 2,767,271

Changes in the District's net position can be determined by reviewing the following condensed Statement of Activities for the year.

Table 2

	Dec. 31,2014	Dec. 31,2013
Total Operating Revenues	\$ 448,245	\$ 430,565
Salaries, Supplies, Chemicals, Utilities and Repairs	(215,419.34)	(211,604.80)
Other Operating Expenses	(280,291.58)	(198,533.27)
Other Non-Operating Revenues (Expenses)	(92,462.28)	343,582.76
Net Income (Loss)	(139,927.81)	364,010.12
Net Position Beginning of Year	2,767,271.44	2,369,165.32
Prior Year Adjustments	0.00	34,096.00
Net Position, End of Year	\$ 2,627,344	\$ 2,767,271

UNAUDITED

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2014, the District had \$5,782.170 invested in capital assets (net of depreciation).

Debt

The District had outstanding notes payable of \$3,345,080 (including the current part) as of December 31, 2014. Additional information on the District's long-term debt can be found in Note II to the financial statements.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

Water consumption has remained steady over the past several years. In considering the District's financial condition, the Board estimates that revenues and expenses in the coming year will approximate actual revenues and expenses for the past fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Directors at Flint Ridge Rural Water District, 653 Valley View Road, Kansas, OK 74347.

Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Statement of Net Position
For the Year Ended December 31, 2014

ASSETS**Current Assets**

Cash in Bank – O & M	\$ 1,572.46
Cash in Bank – Savings	95,067.98
Accounts Receivable	31,846.55
Prepaid Insurance	18,821.88
Total Current Assets	147,308.87

RESTRICTED ASSETS

Cash in Bank - RD Reserve	72,970.61
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Fixed Assets

Water Distribution System	2,689,830.40
Mainline Replacement 2013	3,644,834.73
Equipment	34,192.98
Office Building	33,945.74
Office Equipment & Computers	8,338.58
Accounting Software	23,013.68
Less Accumulated Depreciation	(651,985.72)
Total (Net) Fixed Assets	5,782,170.39

TOTAL ASSETS	6,002,449.87
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LIABILITIES AND NET ASSETS**Current Liabilities**

Accounts Payable	12,973.46
Current Part of Long-Term Debt	49,061.93
Accrued Interest	7,228.41
Insurance Payable	9,825.23

Total Current Liabilities	79,089.03
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Long Term Liabilities

Long Term Notes Payable	3,296,017.21
Total Liabilities	3,375,106.24

Net Position

Invested in Capital Assets, Net of Related Debt	2,437,091.25
Restricted	72,970.61
Unrestricted Net Position	117,281.77
Total Net Position	2,627,343.63

TOTAL LIABILITIES AND NET POSITION	\$ 6,002,449.87
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* The accompanying notes are an integral part of the financial statements.

Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Statement of Activities
For the Year Ended December 31, 2014

OPERATING REVENUE AND EXPENSES

Revenue	\$ 448,245.39
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Expenses:	
Salaries	111,451.52
Accounting & Billing	1,492.36
Contract Labor	29,200.00
Audit Fees	3,650.00
Legal Fees	858.70
Bank Charges	4,080.63
Postage & Shipping	2,849.80
Office Supplies	3,399.20
Insurance	32,880.66
Payroll Tax	8,526.09
State Unemployment	634.07
Gas, Fuel & Oil	8,989.92
Automobile Expense	1,839.10
Dues, Subscriptions and Licenses	902.40
Telephone	5,419.62
Lease Expense	7,782.08
DEQ Reg. Fees	7,533.50
Water Testing	4,717.37
Training, Licensing & Meetings	1,707.09
Repair & Maintenance	32,688.47
Chemicals	15,098.15
Uniforms	430.64
Utilities	52,793.00
Depreciation	159,775.00
TOTAL OPERATING EXPENSES	498,699.37
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OPERATING PROFIT (LOSS)	(50,453.98)
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NON-OPERATING REVENUE (EXPENSES)	
Income – Interest	99.10
Misc. Income	3,874.37
Bad Debt Recovery	2,988.45
Income - Membership/Connections	21,500.00
Gain on Sale of Assets	2,900.00
Expense – Interest	(120,835.75)
Total Non-Operating Revenue (Expense)	(89,473.83)
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NET PROFIT (LOSS)	(139,927.81)
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Net Position, Beginning of Period	2,767,271.44
Net Position, End of Period	\$ 2,627,343.63
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* The accompanying notes are an integral part of the financial statements.

Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Statement of Cash Flows
For the Year Ended December 31, 2014

Cash Provided by Operating Activities

Cash Inflows:

Payments Received from Customers	\$ 445,594.73
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Cash Outflows:

Payments to Suppliers for Goods & Services	(344,200.46)
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Net Cash Provided (Used) by Operating Activities	<u>101,394.27</u>
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Cash Flows from Non-capital Financing Activities

Interest Payments on Notes	(120,937.67)
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Principal Reduction on Long-Term Debt	(47,326.33)
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Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(168,264.00)</u>
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Cash Flows from Capital and Related Financing Activities

Purchase of Capital Assets	(10,708.28)
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Membership Fees and Other Income	28,362.82
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Gain on Sale of Assets	2,900.00
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Net Cash Provided (Used) for Capital and Related Financing Activities	<u>17,566.09</u>
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Cash Flows from Investing Activities

Interest Received from Investments	<u>99.10</u>
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Net Cash Inflow (Outflow) from All Activities	(46,216.09)
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Cash and Cash Equivalents at Beginning of Year	<u>215,827.14</u>
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Cash and Cash Equivalents at End of Year	<u><u>\$ 169,611.05</u></u>
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Cash and Cash Equivalents

Unrestricted Cash and Cash Equivalents	\$ 96,640.44
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Restricted Cash and Cash Equivalents	72,970.61
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	<u><u>\$ 169,611.05</u></u>
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Reconciliation of Operating Income (Loss) to Net Cash

Provided by Operating Activities:

Operating Income (Loss)	\$ (50,453.98)
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Depreciation	159,775.00
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(Increase) Decrease in Accounts & Notes Receivable	(2,650.66)
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(Increase) Decrease in Prepaid Expenses	3,552.66
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Increase (Decrease) in Current Liabilities	(8,828.75)
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Net Cash Provided (Used) by Operating Activities	<u><u>\$ 101,394.27</u></u>
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* The accompanying notes are an integral part of the financial statements.

**Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Notes to Financial Statements
For the Year Ended December 31, 2014**

The following notes to the financial statements are an integral part of the Flint Ridge Rural Water District's financial statements.

I. Summary of Significant Accounting Policies

Effective October 1, 2003, Flint Ridge Rural Water District (Adair and Delaware Counties) was formerly reorganized with a new board of directors under the provisions of the laws of the State of Oklahoma. The District was previously operated as a component unit of the Flint Ridge Property Owners Association. It is exempt from federal income tax under section 115 of the Internal Revenue Code. Its purpose is to provide for the use of and benefit of its members, a water treatment and distribution system, operations and maintenance.

The membership consists of approximately 550 users, each entitled to one vote. The Board of Directors consists of 7 members serving 3-year terms. The vacant Board seats are elected at the annual meeting, and following, the Board of Directors meet and elect a chairman, Vice-chairman, Secretary, and Treasurer.

The more significant of the government's accounting policies are described below.

A. Reporting Entity

The District complies with GASB Statement No 14, "The Financial Reporting Entity." This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the District's financial statements.

B. Measurement Focus and Basis of Accounting and Basis of Presentation – Fund Accounting

The District's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Depreciation expense is provided for capital assets based upon estimated useful lives.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments which requires the classification of net position into three components—invested in capital assets, net of related debt, restricted; and unrestricted.

**Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Notes to Financial Statements
For the Year Ended December 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Net Position

1. Deposits and Investments

Oklahoma statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such investment is expressly prohibited by law.

All the bank deposits are held at financial institutions and are carried at cost. For purposes of statement of cash flows, the District considers cash and highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Custodial Credit Risk

At December 31, 2014, the District held deposits of approximately \$169,611.05 at financial institutions. The District's cash deposits, including interest-bearing savings accounts, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The District has no Policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.

**Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Notes to Financial Statements
For the Year Ended December 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Net Position (Continued)

e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.

f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-f.).

The investments held at December 31, 2014 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments Savings	12	N/A	\$ 95,067.98	\$ 95,067.98

Concentration of Investment Credit Risk

The District places no limit on the amount it may invest in any one issuer. The District has the following credit risk: 100% in Savings Account (\$95,067.98).

2. Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, and notes payable. The District's estimates of fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

3. Estimates

The preparation of financial statements in conformity with U.S. 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

4. Inventory

Inventory consists primarily of distribution repair supplies and is counted annually. The District does not maintain an inventory.

5. Accounts Receivable

Accounts receivable consists primarily of charges for water sales. Management has established a provision for uncollectible accounts. Such amounts are written off the month in which management determines they are uncollectible. Bad debts recovered are offset against bad debts expensed in the year recovered. In 2014 Bad debts recovered were \$7,650.73 and Bad debts expensed were \$4,662.28 resulting in a nonoperating revenue of \$2,988.45.

**Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Notes to Financial Statements
For the Year Ended December 31, 2014**

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, and Net Position (continued)

6. Prepaid Expenses

Prepaid expenses represent the unexpired premiums on general liability and workman's compensation insurance policies.

7. Restricted Assets

The terms of the loan agreement with the United States Department of Agriculture Rural Development (USDA) require the District to set aside in a Reserve the sum of 10% of the monthly installments or \$1,402.20 each month until there is accumulated in that account the sum of the annual installment (\$168,264.00), after which deposits may be suspended, except to replace withdrawals. In the Letter of Conditions for RD Loan #9106, funding a depreciation reserve for short-lived assets (SLA) of \$476.92 monthly was required in addition to that required for debt service reserve. The monthly deposits were required when repayment began on each of the loans. The required Reserve Account balance was \$68,513.00 for debt reserve. The SLA reserve had an available balance of \$13,740.89 of which \$9,283.28 was approved by the Board for major repairs to the River Pump leaving a SLA balance of \$4,457.61 at year-end. The restricted account had a balance of \$72,970.61 on December 31, 2014 which meets the reserve requirement.

7. Capital Assets

The water storage and delivery system and furniture and equipment are recorded at cost. Donated capital assets are reported at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All reported assets are depreciated on the straight-line basis over their estimated useful lives ranging from five to fifty years.

All assets with a value of \$150 or more that benefit more than one period will be depreciated.

8. Equity Classifications

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of their governments; or (2) law through constitutional provisions or enabling legislation, or (3) elected restrictions by management concerning cash to be used for capital improvements.
- c. Unrestricted net position—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

9. Contingencies

According to management there may be a contingent liability of \$16,420.82 at December 31, 2014 which would have a material effect on the financial statements. It is management's opinion that engineering fees of an initial study for an addition to the water supply and treatment system were to be billed only when the project for such expansion was funded. This opinion is based on past experience for the past two projects with this engineer regarding preliminary engineering studies.

**Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Notes to Financial Statements
For the Year Ended December 31, 2014**

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, and Net Position (continued)

10. Use of Estimates

The preparation of financial statements in conformity with U.S. 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. Actual results could differ from those estimates.

II. Detailed Notes Concerning the Funds

A. Accounts Receivable

Following is an aged schedule of accounts receivable as of December 31, 2014:

Current	31-60 Days	61-90 Days	Over 90 Days	Total
\$ 28,426.51	\$ 2,292.14	\$ 720.89	\$ 407.01	\$ 31,846.55

B. Changes in Capital Assets

Capital asset activity for the year was as follows:

	Beginning of Year	Additions	Deletions	End of Year
Capital Assets				
Equipment	\$ 48,267.98	\$ 1,425.00	\$ 15,500.00	\$ 34,192.98
Computer System	8,338.58			8,338.58
Accounting Software	23,013.68			23,013.68
Buildings	33,945.74			33,945.74
Water Distribution System	2,680,547.12	9,283.28		2,689,830.40
Mainline Replacement 2013	3,644,834.73			3,644,834.73
Total Capital Assets	6,438,947.83	10,708.28	15,500.00	6,434,156.11
Less: Accumulated Depreciation	507,710.72	159,775.00	15,500.00	651,985.72
Net Book Value	\$ 5,931,237.11	\$ (149,066.72)	\$ -	\$ 5,782,170.39

**Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Notes to Financial Statements
For the Year Ended December 31, 2014**

II. Detailed Notes Concerning the Funds (continued)

C. Long-Term Debt

The following is a summary of Flint Ridge Rural Water District's long-term debt at December 31, 2014:

The District has a loan with USDA Rural Development (Note #9103) with an interest rate of 4.25% for water system improvements. The loan dated April 14, 2005 is for an original loan amount of \$298,000 and will mature in year 2045. This note has monthly payments of \$1,306.

The District has a loan with USDA Rural Development (Note #9104), with an interest rate of 4.25% for water system improvements. The loan dated April 14, 2005 is for an original loan amount of \$610,000 and will mature in year 2045. This note has monthly payments of \$2,675.

The two notes payable above are secured by substantially all fixed assets, accounts receivable and assignment of revenues.

Debt service requirements on the notes are as follows:

USDA RD Note #9103

	Principal	Interest	Total
2015	\$ 4,427.61	\$ 11,244.39	\$ 15,672.00
2016	4,619.50	11,052.50	15,672.00
2017	4,819.70	10,819.70	15,639.40
2018	5,028.57	10,643.43	15,672.00
2019	5,246.51	10,425.49	15,672.00
2020-2024	29,846.66	48,573.34	78,420.00
2025-2029	36,899.49	41,460.51	78,360.00
2030-2034	45,618.88	32,741.12	78,360.00
2035-2039	56,398.71	21,961.29	78,360.00
2040-2044	69,725.85	8,634.15	78,360.00
2045	3,956.06	28.52	3,984.58
Totals	\$ 266,587.54	\$ 207,584.44	\$ 474,171.98

**Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Notes to Financial Statements
For the Year Ended December 31, 2014**

II. Detailed Notes Concerning the Funds (continued)

D. Long-Term Debt (Continued)

USDA RD Note #9104

Year Ended Dec. 31,	Principal	Interest	Total
2015	\$ 9,054.75	\$ 23,045.25	\$ 32,100.00
2016	9,447.15	22,652.85	32,100.00
2017	9,856.58	22,243.42	32,100.00
2018	10,283.73	21,816.27	32,100.00
2019	10,729.40	21,370.60	32,100.00
2020-2024	61,038.18	99,461.82	160,500.00
2025-2029	75,461.67	85,068.33	160,530.00
2030-2034	93,293.38	67,206.62	160,500.00
2035-2039	115,338.76	45,161.24	160,500.00
2040-2044	142,593.54	17,906.46	160,500.00
2045	9,262.61	74.95	9,337.56
Totals	<u>\$ 546,359.75</u>	<u>\$ 426,007.81</u>	<u>\$ 972,367.56</u>

On September 17, 2009 the District entered into an agreement with USDA Rural Development to borrow \$2,608,000 for the purpose of constructing new water lines (Note #9106). The 40 year loan was dated September 7, 2011 at the rate of 3.375 percent per annum and included a provision that principal would begin on October 7, 2012. The note has monthly payments of \$10,041. Included in the agreement was a second agreement that the District will also receive grant funds in the amount of \$1,252,000 for the same purpose. Substantially all fixed assets, accounts receivable and assignment of revenues were pledged as security for the note. A debt service account as part of the loan agreement will be utilized to accumulate funds in sufficient amounts to pay the next installment due on the note. From the remaining funds in the general account, there shall be set aside into an account designated as the Reserve Account the sum of ten percent of the monthly installment each month until the sum of the annual installments is reached. With the prior written approval of the Government, funds may be withdrawn and used for such things as loan installments, emergency maintenance, extensions to facilities and replacement of short-lived assets, subject to conditions established by the Government. The project was delayed until year 2011 when construction began.

Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Notes to Financial Statements
For the Year Ended December 31, 2014

II. Detailed Notes Concerning the Funds (continued)

D. Long-Term Debt (Continued)

USDA RD Note #9106

Year Ended Dec. 31,	Principal	Interest	Total
2015	\$ 35,579.56	\$ 84,912.44	\$ 120,492.00
2016	36,799.14	83,692.86	120,492.00
2017	38,060.52	82,431.48	120,492.00
2018	39,365.08	81,126.92	120,492.00
2019	40,714.41	79,777.59	120,492.00
2020-2024	225,487.24	376,972.76	602,460.00
2025-2029	266,874.09	335,585.91	602,460.00
2030-2034	315,857.09	286,602.91	602,460.00
2035-2039	373,830.69	228,629.31	602,460.00
2040-2044	442,445.01	160,014.99	602,460.00
2045-2049	523,653.03	78,806.97	602,460.00
2050-2051	193,465.99	5,716.31	199,182.30
Totals	<u>\$ 2,532,131.85</u>	<u>\$ 1,884,270.45</u>	<u>\$ 4,416,402.30</u>

E. Changes in General Long-Term Debt

Long-term debt consists of notes payable. The following is a summary of the changes in general long-term debt of the District for the fiscal year.

	Balance Beg. Of Year	Advances	Reductions	Balance End of Year	Due Within One Year
USDA RD #9103	\$ 270,831.64	\$ -	\$ 4,244.10	\$ 266,587.54	\$ 4,427.61
USDA RD #9104	555,039.17		8,679.42	546,359.75	9,054.75
USDA RD #9106	2,566,534.66		34,402.81	2,532,131.85	35,579.57
Totals	<u>\$ 3,392,405.47</u>	<u>\$ -</u>	<u>\$ 47,326.33</u>	<u>\$ 3,345,079.14</u>	<u>\$ 49,061.93</u>

**Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Notes to Financial Statements
For the Year Ended December 31, 2014**

III. Other Information

A. Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. There were no significant reductions in insurance coverage from the prior year. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Water Rates

The schedule of current water rates is as follows:

Members

Monthly Minimum 0 gallons	\$ 34.75
Usage Per 1,000 gallons	
1-10,000 gallons	5.85
10,001-15,000 gallons	6.35
15,001-20,000 gallons	6.85
Over 20,000 gallons	7.85

Refuge Ranch Rates

Monthly Minimum 0 gallons	104.25
Usage Per 1,000 gallons	
1-25,000 gallons	6.80
Over 25,000 gallons	7.30

FRPOA Rates

Monthly Minimum 0 gallons	34.75
Usage Per 1,000 gallons	4.87

Delaware 11

Monthly Minimum 2,000,000	5,960.00
Usage Per 1,000 gallons	
1,000,001-2,000,000 gallons	2.98
2,000,001-3,000,000 gallons	3.48
3,000,001-4,000,000 gallons	3.98
4,000,001-5,000,000 gallons	5.55

C. Subsequent Events

Management has evaluated subsequent events through April 14, 2015, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and
Changes in Fund Balances - Budget and Actual
Cash Basis
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Budget Variance	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sales- Water	\$ 476,000.00	\$ 476,000.00	\$ 445,594.73	\$ -	\$ (30,405.27)
Nonoperating Income	24,125.00	24,125.00	28,373.47		4,248.47
Total Revenues Collected	500,125.00	500,125.00	473,968.20	-	(26,156.80)
Expenditures:					
Salaries	112,570.00	112,570.00	111,451.52	-	1,118.48
Accounting & Legal	34,500.00	34,500.00	35,201.06	-	(701.06)
Bad Debts	3,500.00	3,500.00	(2,988.45)	-	6,488.45
Bank Charges	4,200.00	4,200.00	4,080.63	-	119.37
Postage/Shipping	3,000.00	3,000.00	2,849.80	-	150.20
Office Supplies	3,800.00	3,800.00	3,399.20	-	400.80
Insurance	34,700.00	34,700.00	31,606.75	-	3,093.25
Payroll Taxes	9,400.00	9,400.00	9,160.16	-	239.84
Retirement	0.00	0.00	5,000.00		
Gas/Oil/Fuel	9,000.00	9,000.00	8,989.10	-	10.90
Automobile Expense	1,500.00	1,500.00	1,839.92	-	(339.92)
Dues, Subs, & Licenses	500.00	500.00	902.40	-	(402.40)
Telephone Expense	5,500.00	5,500.00	5,419.62	-	80.38
Lease Expense	7,850.00	7,850.00	7,782.08	-	67.92
Water Testing/DEQ Fees	9,900.00	9,900.00	12,250.87	-	(2,350.87)
Training/License/Meetings	1,600.00	1,600.00	1,707.09	-	(107.09)
Repair/Maintenance	30,000.00	30,000.00	32,688.47	-	(2,688.47)
Chemicals	14,500.00	14,500.00	15,098.15	-	(598.15)
Uniform Expense	0.00	0.00	430.64	-	(430.64)
Utilities	44,800.00	44,800.00	54,343.00	-	(9,543.00)
Interest Expense	120,850.00	120,850.00	120,937.67	-	(87.67)
Miscellaneous	250.00	250.00	0.00	-	250.00
Capital Assets Purchase	0.00	0.00	10,708.28	-	(10,708.28)
Principle Reduction	0.00	0.00	47,326.33	-	(47,326.33)
Total Expenditures Paid	451,920.00	451,920.00	520,184.29	-	(63,264.29)
Excess (Deficit) of Revenues					
Collected Over (Under)					
Expenditures Paid	48,205.00	48,205.00	(46,216.09)	-	(89,421.09)
Unrestricted Net Position					
Beginning of Year	168,868.71	168,868.71	168,868.71	-	-
Unrestricted Net Position					
End of Year	\$ 217,073.71	\$ 217,073.71	\$ 122,652.62	\$ -	\$ (89,421.09)

UNAUDITED