

FLINT RIDGE RWD
FINANCIAL
STATEMENTS AND
ACCOMPANYING
NOTES

December 31,

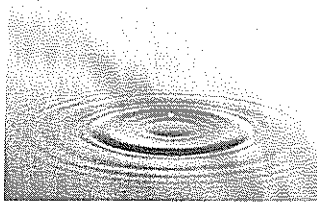
2015

MANAGEMENT

DISCUSSION

AND

ANALYSIS



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, 2015. Please read it in conjunction with the Auditor's reports and financial statements.

FINANCIAL HIGHLIGHTS

The District's net assets decreased by \$145,870 or 5.55% from \$2,627,344 to \$2,481,474. Operating revenues increased by \$33,829 or 7.54% from \$448,245 to \$482,074. Operating expenses increased \$45,527 or 9.12% from \$495,711 to \$544,224. The operating revenue increase was due to wholesale water sales from Delaware RWD #11 who began selling water to Colcord in July 2015. The Board approved the 2015 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 the 2015 shortfall with the anticipation of increased water sales from Colcord. In March 2015 the Board chose to make management changes and to make a concentrated effort to reduce water loss by adding additional employees and purchasing new meters and leak detection equipment. The result was an increase in actual expenses exceeding budgeted expenses by a significant amount. In May and June of 2015 heavy rainfall occurred that washed out the main line between RV Park I and RV Park II resulting in loss of water in RV Park I. Then again in late December flood damages occurred that did major damage to raw water intake. Together these floods increased expenses in maintenance and chemicals by approximately 25%.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets 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 Assets 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?"

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 year's activities?". The Statement of Net Assets and Statement of Activities report information about the net assets of the District's activities in a way that will help answer this question. These two statements report the net assets of the District and changes in them. You can think of the District's net assets—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 assets 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 assets (Table 1) and changes in net assets (Table 2) during the year.

Table 1

	Dec 31, 2015	Dec. 31, 2014
Current Assets	71,319	128,667
Restricted Assets	85,626	72,791
Capital Assets – Net of Depreciation	5,635,936	5,782,170
Other Assets	19,547	18,822
Total Assets	5,812,428	6,002,450
Total Liabilities	3,330,954	3,375,106
Net Assets, Invested in Capital Assets Net of Debt	2,194,053	2,437,091
Net Assets, Restricted	85,626	72,971
Net Assets, Unrestricted	201,795	117,282
Total Net Assets	2,481,474	2,627,344

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

Table 2

	Dec. 31, 2015	Dec. 31, 2014
Total Operating Revenues	482,074	448,245
Salaries, Supplies, Chemicals, Utilities and Repairs	-243,136	-215,419
Other Operating Expenses	-301,090	-280,292
Other Non-Operating Revenues (Expenses)	-83,718	-92,462
Net Income (Loss)	-145,870	-139,928
Net Assets, Beginning of Year	2,627,344	2,767,271
Prior Year Adjustments	-0-	-0-
Net Assets, End of Year	2,481,474	2,627,344

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2015, the District had \$5,635,926 invested in capital assets (net of depreciation).

Debt

The District had outstanding notes payable of \$3,245,148 (including the current part) as of December 31, 2015. 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 increase significantly with the additional supply to Colcord via RWD #11. Wholesale water sales will double in comparison to 2014 water sales and chemicals, utilities, and maintenance costs will increase due to increased production of water. These changes are reflected in 2016 budget.

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.

INDEPENDENT

AUDITOR'S

REPORTS

ROBERT ST. PIERRE, C.P.A., P.C.

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Flint Ridge Rural Water District.

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, 2015, 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, 2015, 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, 2015, 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 22 and the management discussion and analysis on pages 1-3 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.



Robert St. Pierre CPA, PC
Stilwell, Ok 74960
May 10, 2016

FINANCIAL

SECTION

Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Statement of Net Assets
For the Year Ended December 31, 2015

ASSETS

Current Assets

Cash in Bank - O & M	\$1,653
Cash in Bank - Savings (Note F)	34,096
Accounts Receivable (Note A)	<u>35,570</u>

Total Current Assets	71,319
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RESTRICTED ASSETS

Cash in Bank - RD Reserve	<u>85,626</u>
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Total Restricted Assets	85,626
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Fixed Assets

Water Distribution System	2,701,423
Mainline Replacement 2013	3,644,835
Equipment	37,725
Office Building	33,946
Office Equipment & Computers	8,753
Accounting Software	23,014
Less Accumulated Depreciation	<u>(813,760)</u>

Total (Net) Fixed Assets (Note B)	5,635,936
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OTHER ASSETS

Prepaid Insurance	<u>9,360</u>
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Total Other Assets	9,360
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TOTAL ASSETS	<u>\$ 5,802,241</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	17,630
Current Part of Long-term Debt	50,866
Accrued Interest	7,123
Insurance Payable	<u>0</u>

Total Current Liabilities	75,619
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Long Term Liabilities

Long Term Notes Payable	<u>3,245,148</u>
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Total Liabilities	3,320,767
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Net Assets

Equity

Invested In Capital Assets, Net of Related Debt	2,194,053
Restricted	85,626
Unrestricted Net Assets	<u>201,795</u>
Total Net Assets	2,481,474

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,802,241</u>
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The accompanying notes and Auditors Report are an integral part of these financial statements

Flint Ridge Rural Water District
Statement of Activities
For the Year Ended December 31, 2015

OPERATING REVENUE AND EXPENSES

Revenue:	<u>\$ 482,074</u>
Expenses:	
Salaries	125,859
Accounting & Billing	1,563
Contract Labor	44,655
Audit Fees	3,000
Legal Fees	1,675
Bad Debts	2,417
Bank Charges	5,023
Postage & Shipping	3,023
Office Supplies	4,023
Insurance	26,662
Payroll Tax	9,628
State Unemployment	998
Gas, Fuel & Oil	8,914
Automobile Expense	6,050
Dues, Subscriptions and Licenses	622
Telephone	5,326
Lease Expense	6,105
DEQ Reg. Fees	7,105
Water Testing	3,260
Training, Licensing & Meetings	2,110
Repair & Maintenance	35,335
Chemicals	21,834
Field Supply	0
Uniforms	601
Utilities	56,084
Depreciation	161,775
Miscellaneous Expense	<u>577</u>
TOTAL OPERATING EXPENSES	544,224
OPERATING PROFIT (LOSS)	(62,150)
NON-OPERATING REVENUE AND EXPENSES	
Income - Interest	67
Misc. Income	24,706
Donated Capital - Rural Development	
Income - Membership/Connections	10,600
Gain on sale of Assets	
Expense - Interest	<u>(119,093)</u>
Total Non-Operating Revenue (Expense)	(83,720)
NET PROFIT (LOSS)	(145,870)
Misc Adjustment	0
Net Assets, Beginning of Period	2,627,344
Net Assets, End of Period	<u><u>\$ 2,481,474</u></u>

The accompanying notes and Auditors Report are an integral part of these financial statements

**Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Statement of Cash Flows
For the Year Ended December 31, 2015**

Cash Provided by Operating Activities

Cash Inflows:	
Payments Received from Customers	\$478,351

Cash Outflows:	
Payments to Suppliers for Goods & Services	(378,158)

Net Cash Provided (Used) by Operating Activities	\$100,194
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Cash Flows from Non-capital Financing Activities

Interest Payments on Notes	(\$119,198)
Principal Reduction on Long-Term Debt	(49,066)

Net Cash Provided (Used) for Capital and Related Financing Activities	(\$168,264)
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Cash F

Purchase of Capital Assets	(\$15,540)
Membership Fees and Other Income	\$35,306

Net Cash Provided (Used) for Capital and Related Financing Activities	\$19,766
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Cash Flows from Investing Activities

Interest Received from Investments	\$69
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Net Cash Inflow (Outflow) from All Activities	(\$48,236)
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Cash and Cash Equivalents at Beginning of Year	\$169,611
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Cash and Cash Equivalents at End of Year	\$121,375
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Cash and Cash Equivalents

Unrestricted Cash and Cash Equivalents	\$35,749
Restricted Cash and Cash Equivalents	\$85,626

	\$121,375
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Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
For the Year Ended 12/31/2015

Reconciliation of Operating Income (Loss) to Net Cash

Provided by Operating Activities:

Operating Income (Loss)	-62,152
Depreciation	161,775
(Increase) Decrease in Accounts & Notes Receivable	-3,723
(Increase) Decrease in Prepaid Expenses	-725
Increase (Decrease) in Current Liabilities	<u>5,019</u>
Net Cash Provided (Used) by Operating Activities	<u><u>100,194</u></u>

* The accompanying notes are an integral part of the financial statements.

FINANCIAL

STATEMENT

NOTES

**Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Notes to Financial Statements
For the Year Ended December 31, 2015**

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 assets. 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 assets into three components—invested in capital assets, net of related debt, restricted; and unrestricted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Net Assets

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, 2015, the District held deposits of approximately \$121,375.27 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 banker's 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.
- 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2015 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Savings	12	N/A	\$34,096	\$34,096
Total Investments			\$34,096	\$34,096

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 (\$34,095.97).

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 2015 Bad debts recovered were \$1,363.39 and Bad debts expensed were \$3,780.25 resulting in a Bad debts expense for the year of \$2,417.36.

6. 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 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 \$85,340 for debt reserve. The SLA reserve had an available balance of \$286.42 of which 9,932 was approved by the Board for major repairs to the River Pump leaving a SLA balance of \$0.00 at year-end. The restricted account had a balance of \$85,625.92 on December 31, 2015 which meets the reserve requirement.

I. Summary of Significant Accounting Policies (continued)

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

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 assets 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 assets—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 assets—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 \$21,866.49 at December 31, 2013 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.

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, 2015:

<u>Current</u>	<u>31-60 Days</u>	<u>Over 60 Days</u>	<u>Total</u>
31,230	1,268	3,071	35,569

B. Changes in Capital Assets

Capital asset activity for the year was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Capital Assets				
Equipment	34,193	3,532		37,725
Computer System	8,339	415		8,753
Accounting Software	23,014	-		23,014
Buildings	33,946			33,946
Water Distribution System	2,689,830	11,593		2,701,423
Mainline Replacement 2013	3,644,835	-		3,644,835
	<u>6,434,156</u>	<u>15,540</u>	<u>0</u>	<u>6,449,696</u>
Total Capital Assets				
	<u>6,434,156</u>	<u>15,540</u>	<u>0</u>	<u>6,449,696</u>
Less: Accumulated Depreciation	651,986	161,775		813,760
	<u>651,986</u>	<u>161,775</u>		<u>813,760</u>
Net Book Value	\$ 5,782,170	\$ (146,234)		\$ 5,635,936
	<u>\$ 5,782,170</u>	<u>\$ (146,234)</u>		<u>\$ 5,635,936</u>

C. Long-Term Debt

I. The following is a summary of Flint Ridge Rural Water District's long-term debt at December 31, 2011:

The District has a loan with USDA Rural Development (Loan #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 (Loan #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

Year Ended Dec. 31,	Principal	Interest	Total
2016	4,620	11,053	15,672
2017	4,820	10,852	15,672
2018	5,029	10,643	15,672
2019	5,247	10,425	15,672
2020-2024	29,847	48,513	78,360
2025-2029	36,899	41,460	78,360
2030-2034	45,619	32,741	78,360
2035-2039	56,399	21,961	78,360
2040-2044	69,726	8,634	78,360
2045	3,956	29	3,985
Totals	<u>\$ 262,160</u>	<u>\$ 196,312</u>	<u>\$ 458,473</u>

II. Detailed Notes Concerning the Funds (continued)

C. Long-Term Debt (Continued)

USDA RD Note #9104

Year Ended Dec. 31,	Principal	Interest	Total
2016	9,446	22,654	32,100
2017	9,857	22,243	32,100
2018	10,284	21,816	128,400
2019	10,729	21,371	160,500
2020-2024	61,038	99,462	160,500
2025-2029	75,462	85,038	160,500
2030-2034	93,293	67,207	160,500
2035-2039	115,339	45,161	160,500
2040-2044	142,594	17,906	160,500
2045	9,263	75	9,338
Totals	\$ 537,304	\$ 402,933	\$ 1,164,938

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. 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.

USDA RD Note #9106

Year Ended Dec. 31,	Principal	Interest	Total
2016	36,799	83,693	120,492
2017	38,061	82,431	120,492
2018	39,365	81,127	120,492
2019	40,714	79,778	120,492
2020-2024	225,487	376,972	602,460
2025-2029	266,874	335,586	602,460
2030-2034	315,857	286,603	602,460
2035-2039	373,831	228,629	602,460
2040-2044	442,445	160,015	602,460
2045-2049	523,653	78,807	602,460
2050-2051	193,466	5,716	199,182
Totals	\$ 2,496,552	\$ 1,799,357	\$ 4,295,910

D. 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	266,588		4,428	262,160	4,620
USDA RD #9104	546,360		9,055	537,305	9,446
USDA RD #9106	2,532,132		35,582	2,496,550	36,799
Totals	\$ 3,345,080		\$ 49,065	\$ 3,296,015	\$ 50,865

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.

SUPPLEMENTARY

INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

ROBERT ST. PIERRE, C.P.A., P.C.

Certified Public Accountant

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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, 2015, 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 May 10, 2016.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost that we consider to be significant deficiencies.

2015-1

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.



Robert St. Pierre CPA, PC.
Stilwell, Ok
May 10, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2015-1

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and 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 that is responsible for billing and adjustments; posts payment to subsidiary accounts receivable ledgers and reconciles the monthly bank statements. In addition, only limited oversight is provided over this individual in the conduct of their daily functions. This condition was also reported in 2014.

Cause: The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

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

Recommendation: Management and the board should consider a formal evaluation of their risks associated with this lack of duties segregation over assets. In response to the Identified risks, consideration should be given to identifying and implementing compensating duties to act as controls that could help mitigate the risks associated with lack of segregation of duties, such as management performing review procedures for the reconciliation of accounts.

Responsible Official's Response: The organization concurs with the recommendation, and will strive to implement procedures and compensating duties to help mitigate the risks associated with the lack of segregation of duties.

Flint Ridge Rural Water District
Adair & Delaware Counties, Oklahoma
Combined Statement of Revenues Collected, Expenditures Paid and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2015

	Budgeted Amounts			Budget Variance
	Original	Final	Actual	Final to Actual
I N C O M E				
SALES - WATER	386,000	386,000	364,483	21,517
SALES - WHOLESALE	108,000	108,000	117,591	(9,591)
NON OPERATING INCOME	24,675	24,625	35,375	(10,750)
TOTAL REVENUES COLLECTED	518,675	518,625	517,449	1,176
E X P E N S E				
SALARIES	110,570	110,570	125,859	(15,289)
ACCOUNTING & LEGAL	32,450	32,450	50,893	(18,443)
BAD DEBTS	1,500	1,500	2,417	(917)
BANK CHARGES	4,200	4,200	5,023	(823)
POSTAGE/SHIPPING	3,000	3,000	3,023	(23)
OFFICE SUPPLIES	3,200	3,200	4,023	(823)
INSURANCE & BONDS	29,852	29,852	26,662	3,190
PAYROLL TAXES	9,200	9,200	10,626	(1,426)
GAS-OIL-FUEL	9,500	9,500	8,914	586
AUTOMOBILE EXPENSE	2,200	2,200	6,050	(3,850)
DUES,SUBS, & LICENSES	500	500	622	(122)
TELEPHONE EXPENSE	5,500	5,500	5,326	174
LEASE EXPENSE	6,100	6,100	6,105	(5)
WATER TESTING FEES	12,500	12,500	10,365	2,135
TRAINING/LICENSE/MEETINGS	1,400	1,400	2,110	(710)
REPAIR/MAINT	30,000	30,000	35,335	(5,335)
CHEMICALS	14,500	14,500	21,834	(7,334)
UNIFORM EXPENSE			601	(601)
UTILITIES	51,500	51,500	56,084	(4,584)
OTHER MISCELLANEOUS	250	250	577	(327)
INTEREST EXPENSE	120,850	120,850	119,093	1,757
CAPITAL ASSETS PURCHASED			15,540	(15,540)
PRINCIPLE REDUCTION			49,066	(49,066)
TOTAL EXPENDITURES PAID	448,772	448,772	566,149	(117,377)
EXCESS (DEFICIT) of REVENUES				
COLLECTED OVER (UNDER)				
EXPENDITURES PAID	69,903	69,853	(48,700)	118,553