

**GRADY COUNTY CONSERVATION DISTRICT**

**Grady County, Oklahoma**

June 30, 2014

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Board of Directors  
Grady County Conservation District  
Chickasha, Okla. 73018

We have compiled the accompanying modified cash basis financial statements of the governmental activities and the business-type activities of the **Grady County Conservation District**, Grady County, Oklahoma, as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the modified cash basis of accounting.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting the financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

*Angel, Johnston & Blasingame, P.C.*

Angel, Johnston & Blasingame, P.C.  
August 22, 2014

**GRADY COUNTY CONSERVATION DISTRICT**  
**Grady County, Oklahoma**  
**Statement of Net Position - Modified Cash Basis**  
**June 30, 2014**

	<b>Governmental Activities</b>	<b>Business - Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 10,070	\$ 21,156	\$ 31,226
Investments	-	7,186	7,186
<i>Total Current Assets</i>	10,070	28,342	38,412
Noncurrent Assets:			
Other capital assets, net	26,859	77,409	104,268
<i>Total Noncurrent Assets</i>	26,859	77,409	104,268
<i>Total Assets</i>	36,929	105,751	142,680
<b><u>Liabilities</u></b>			
Other Liabilities	-	-	-
<i>Total Liabilities</i>	-	-	-
<b><u>Net Position</u></b>			
Net Investment in Capital Assets	26,859	77,409	104,268
Unrestricted	10,070	28,342	38,412
<i>Total Net Position</i>	\$ 36,929	\$ 105,751	\$ 142,680

The accompanying notes are an integral part of the financial statements.  
See Attached Accountant's Compilation Report



**GRADY COUNTY CONSERVATION DISTRICT**  
**Grady County, Oklahoma**  
**Statement of Net Position - Modified Cash Basis**  
**Governmental Funds**  
**June 30, 2014**

	<b>General</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 10,070
<i>Total Assets</i>	10,070
 <b>Liabilities</b>	
Other Liabilities	-
<i>Total Liabilities</i>	-
 <b>Net Position</b>	
Unrestricted	10,070
<i>Total Net Position</i>	10,070
<i>Total Liabilities and Net Position</i>	\$ 10,070

The accompanying notes are an integral part of the financial statements.  
See Attached Accountant's Compilation Report

**GRADY COUNTY CONSERVATION DISTRICT**  
**Grady County, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Modified Cash Basis**  
**Governmental Funds**  
**June 30, 2014**

	<b>General</b>
<b>Revenues</b>	
State Allocation	\$ 107,849
State Allocation - Watershed	4,525
Rental Income	4,500
Miscellaneous Income	164
Book Sales	3,125
Book Ads	1,595
QACD Reimbursement	-
<i>Total Revenues</i>	121,758
<b>Expenses</b>	
Personal Service	104,964
Maintenance and Operations	10,329
Watershed Maintenance	5,136
<i>Total Expenses</i>	120,429
Excess (Deficiency) of Revenues over Expenses	1,329
Net Change in Net Position	1,329
Net Position - Beginning	8,741
Prior period adjustment	-
Net Position - Ending	\$ 10,070

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See Attached Accountant's Compilation Report

**GRADY COUNTY CONSERVATION DISTRICT**  
**Grady County, Oklahoma**  
**Reconciliation of Governmental Fund and Government-Wide Financial Statements**  
**Modified Cash Basis**  
**Governmental Funds**  
**June 30, 2014**

**Reconciliation to Statement of Net Position:**

Net Position of governmental funds	\$	10,070
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:		26,859
Net Position of governmental activities	\$	36,929

**Reconciliation to Statement of Activities:**

Net change in fund balances of governmental funds	\$	1,329
Amounts reported for governmental activities on the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized in governmental funds		-
Depreciation expense		(333)
Change in net position of governmental activities	\$	996

The accompanying notes are an integral part of the financial statements.  
See Attached Accountant's Compilation Report

**GRADY COUNTY CONSERVATION DISTRICT**

**Grady County, Oklahoma**

**Statement of Net Position**

**Enterprise Fund - Modified Cash Basis**

**June 30, 2014**

	<u>Equipment Account</u>
<b><u>Assets</u></b>	
Current Assets:	
Cash and Cash Equivalents	\$ 21,156
Certificate of Deposit - Pump Out	7,186
<i>Total Current Assets</i>	<u>28,342</u>
Noncurrent Assets:	
Equipment	134,466
Less: Accumulated Depreciation	<u>(57,057)</u>
<i>Total Noncurrent Assets</i>	<u>77,409</u>
<i>Total Assets</i>	<u>105,751</u>
<b><u>Liabilities</u></b>	
Other Liabilities	-
<i>Total Liabilities</i>	<u>-</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	77,409
Unrestricted	<u>28,342</u>
<i>Total Net Position</i>	<u>\$ 105,751</u>

The accompanying notes are an integral part of the financial statements.  
See Attached Accountant's Compilation Report



**GRADY COUNTY CONSERVATION DISTRICT**  
**Grady County, Oklahoma**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Enterprise Fund - Modified Cash Basis**  
**June 30, 2014**

	<b>Equipment Account</b>
<b>Operating Revenues</b>	
Pump Out Revenue	\$ -
Seed Sales	-
Less: Seed Purchases	-
Gopher Machine	951
Other Income	4,747
Custom Work	24,377
<i>Total Revenues</i>	30,075
<b>Operating Expenses</b>	
Personal Service	9,230
Maintenance and Operations	26,914
Depreciation Expense	13,655
<i>Total Operating Expenses</i>	49,799
<i>Operating Income (Loss)</i>	(19,724)
<b>Non-Operating Revenues (Expenses)</b>	
Interest Income	37
Contribution Income - Donated Assets	-
Gain (Loss) on Sale of Capital Assets	1,142
<i>Total Non-Operating Revenues (Expenses)</i>	1,179
Change in Net Position	(18,545)
Net Position - Beginning	124,296
Net Position - Ending	\$ 105,751

The accompanying notes are an integral part of the financial statements.  
See Attached Accountant's Compilation Report

**GRADY COUNTY CONSERVATION DISTRICT**  
**Grady County, Oklahoma**  
**Statement of Cash Flows - Modified Cash Basis**  
**Enterprise Fund**  
**June 30, 2014**

		<u>Equipment Account</u>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$	30,075
Cash paid to suppliers		(26,913)
Cash paid to employees		(9,231)
<i>Net cash provided (used) by operating activities</i>		<u>(6,069)</u>
<b>Cash flows from capital and related financing activities</b>		
Sale of capital assets		3,900
Purchase of capital assets		-
<i>Net cash provided (used) for capital and related financing activities</i>		<u>3,900</u>
<b>Cash flows from investing activities</b>		
Interest Income-net of fees		37
<i>Net cash provided (used) by investing activities</i>		<u>37</u>
<i>Net increase (decrease) in cash and cash equivalents</i>		(2,132)
<i>Cash and cash equivalents at beginning of year</i>		30,473
<i>Cash and cash equivalents at end of year</i>	\$	<u><u>28,341</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>		
Operating income (loss)	\$	(19,724)
Adjustment to reconcile operating income to net cash provided		-
Depreciation expenses		13,655
<i>Net cash provided (used) by operating activities</i>	\$	<u><u>(6,069)</u></u>

The accompanying notes are an integral part of the financial statements.  
See Attached Accountant's Compilation Report

**GRADY COUNTY CONSERVATION DISTRICT**  
**Grady County, Oklahoma**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**Note 1 – Summary of Significant Accounting Policies**

As discussed further in Note 1.C., these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

**A. Financial Reporting Entity**

The purpose of the Grady County Conservation District is to carry out a program of conservation of all renewable natural resources on lands within the District's boundaries. By law, the District is designated as the official unit of state government for cooperating and carrying on conservation operations with the Soil Conservation Service (SCS), a division of the United States Department of Agriculture. The governing board consists of five members with one acting as the Chairman. The District retains title to all assets which are acquired or constructed with District debt or other District generated resources.

The accompanying financial statements include all functions and activities over which the District exercises financial accountability. There are no other entities for which the District is considered to be financially accountable, and as such, no other entities are presented. The District is considered to be a component unit of the Oklahoma Conservation Commission.

**B. Basis of Presentation**

Government Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or service.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a

**GRADY COUNTY CONSERVATION DISTRICT**  
**Grady County, Oklahoma**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**Note 1 – Summary of Significant Accounting Policies, (continued)**

**B. Basis of Presentation, (continued)**

particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund Financial Statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are grouped, in the financial statements in this report, into two major categories: governmental and proprietary. This District presently has no fiduciary funds.

The funds of the financial reporting entity are described below:

**Governmental Fund Types**

1. **General Fund** – This is the only operating fund of the District and is classified as a major fund. It accounts for all activities except those legally and administratively required to be accounted for in other funds.

**Proprietary Fund Types**

1. **Enterprise Fund** – Enterprise funds are used to account for business-type 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 reporting entity includes the following enterprise fund that is reported as a major fund:

Equipment Account – Accounts for the activity related to pump out activity, seed sales, equipment rental and tractor driven applications.

**C. Measurement Focus and Basis of Accounting**

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

**GRADY COUNTY CONSERVATION DISTRICT**  
**Grady County, Oklahoma**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**Note 1 – Summary of Significant Accounting Policies, (continued)**

**C. Measurement Focus and Basis of Accounting, (continued)**

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b. below.

In the fund financial statement, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net position.

The District utilizes the modified cash basis of accounting. Revenues are recognized when they are received and expenses are recorded when paid with the following modifications:

- Capital assets are recorded when purchased and related depreciation is recorded.

This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred.

**GRADY COUNTY CONSERVATION DISTRICT**  
**Grady County, Oklahoma**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

**Note 1 – Summary of Significant Accounting Policies, (continued)**

**D. Assets, Liabilities and Equity**

Cash & Cash Equivalents

The District considers all cash on hand, demand deposit accounts, interest bearing checking accounts, time deposit accounts including certificates of deposit with maturities of three months or less to be cash and cash equivalents.

Investments

The District considers all time deposit accounts including certificates of deposit with maturities of greater than three months to be an investment.

Capital Assets

Fixed assets acquired by governmental-type funds are reported as capital assets within the General Fund. Fixed assets acquired by business-type funds are reported as capital assets within the Equipment Fund. Capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their fair market value as of the date received. This District has determined that assets with a cost of more than \$1,000 will be capitalized. Capital assets used in governmental funds are not financial resources and, therefore are not reported in the funds. Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

Accumulated depreciation is reported as an offset to fixed assets on the statement of net position. Depreciation of exhaustible fixed assets is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Years</u>
Buildings	30 – 35 years
Equipment	5 – 10 years

Net Position

In the government-wide and fund financial statements, net position represents the difference between assets and liabilities. Net position is divided into three components as follows:

**GRADY COUNTY CONSERVATION DISTRICT**  
**Grady County, Oklahoma**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**Note 1 – Summary of Significant Accounting Policies, (continued)**

**D. Assets, Liabilities and Equity, (continued)**

- a. *Net Investment in Capital Assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributed to the acquisition, construction, or improvements 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 and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted Net Position* – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

The District’s policy to first use restricted resources and then toward unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**E. Revenues and Expenses**

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the District are reported as program revenues. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the District, with certain limited exceptions.

The expenses of the governmental fund are those that result from charges for services and the expenses of management of the District. These can include expenses that are related to capital and noncapital related financing, or investing activities.

Operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating. The District reports expenses relating to the use of economic resources including depreciation.

**F. Estimates**

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management’s best judgments and may vary from actual results.

**GRADY COUNTY CONSERVATION DISTRICT**  
**Grady County, Oklahoma**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

**Note 2 – Detailed Notes on Transaction Classes/Accounts**

**A. Cash and Investments**

Deposits and Investments – The District does not have a written investment policy that limits its investment choices. Investments are in compliance with Oklahoma statutes.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a written policy for custodial credit risk, but *Oklahoma Statutes* requires collateral for all uninsured deposits of public trust funds in financial institutions. As of June 30, 2014, the District’s bank balances of \$38,411.71 were not exposed to custodial credit risk.

**B. Restricted Assets**

The Authority does not have any restricted assets.

**C. Capital Assets**

The following is a summary of capital assets as of June 30, 2014:

	Beginning Balance July 1, 2013	Additions	Deductions	Ending Balance June 30, 2014
<b>Governmental Activities:</b>				
Land and Other Non-depreciated Assets	\$ 14,160	\$ -	\$ -	\$ 14,160
Other Capital Assets:			-	
Buildings	22,199	-		22,199
Equipment	604	-	-	604
Total Capital Assets	<u>36,963</u>	<u>-</u>	<u>-</u>	<u>36,963</u>
Less: Accumulated Depreciation				
Building	(9,166)	(333)	-	(9,499)
Equipment	(604)	-	-	(604)
Total Accumulated Depreciation	<u>(9,770)</u>	<u>(333)</u>	<u>-</u>	<u>(10,103)</u>
<b>Governmental Activities - Capital Assets, net</b>	<u>\$ 27,526</u>	<u>\$ (333)</u>	<u>\$ -</u>	<u>\$ 26,860</u>
<b>Business-Type Activities:</b>				
Equipment	\$ 138,821	\$ -	\$ (4,355)	\$ 134,466
Total Capital Assets	<u>138,821</u>	<u>-</u>	<u>(4,355)</u>	<u>134,466</u>
Less: Accumulated Depreciation				
Equipment	(44,998)	(13,655)	1,597	(57,056)
Total Accumulated Depreciation	<u>(44,998)</u>	<u>(13,655)</u>	<u>1,597</u>	<u>(57,056)</u>
<b>Business-Type Activities – Capital Assets, net</b>	<u>\$ 93,823</u>	<u>\$ (13,655)</u>	<u>\$ (2,758)</u>	<u>\$ 77,410</u>

Depreciation expense recorded for the fiscal year ended June 30, 2014 equaled \$333.33 for governmental-type funds and \$13,655.29 for business-type funds.

**D. Note Payable**

The District has no debt outstanding.



**GRADY COUNTY CONSERVATION DISTRICT**  
**Grady County, Oklahoma**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**Note 3 – Other Notes**

**A. Risk Management**

The District is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize loss and the carrying cost of insurance. The District carries general liability and property insurance to mitigate the risk of loss. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

General liability and automobile injury/physical damage are insured through commercial insurance. Deductibles range from \$0 to \$1,000. Risk of loss retained is limited to the excess of insurance liability coverage limits set by the commercial insurance provider.

All physical properties are insured through commercial insurance. Risk of loss retained is limited to the excess of insurance liability coverage limits set by the commercial insurance provider.

Worker's compensation is covered through participation in the State Insurance Fund. Risk of loss retained is limited to the excess of insurance liability coverage limits set by the State Insurance Fund.

**B. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation time. We estimate accrued vacation time at June 30, 2014 to be \$10,667.00.

**C. Income Taxes**

The District as a governmental entity is exempt for income taxes under Section 501(C)(12) of the Internal Revenue Code.

**D. Inventories**

The District has chosen to record inventory items as expenditures/expenses at the time of purchase. Thus, an inventory amount has not been presented.

**GRADY COUNTY CONSERVATION DISTRICT**  
**Grady County, Oklahoma**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**Note 3 – Other Notes, (continued)**

**E. State Contracts**

The District derives the majority of its revenues from service contracts with the State of Oklahoma. These contracts are subject to audits by the State and could result in repayments of monies if certain conditions are not met. They have been approved for funding for the 2014-2015 year.

**F. Employee Retirement System**

Plan Description – The District participates in the Oklahoma Public Employees Retirement System, a cost-sharing multiple-employer defined benefit public employee retirement system, which is administered by the board of trustees of the Oklahoma Public Employees Retirement System (the “System”). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Title 74 Section 901 et seq., as amended of the Oklahoma statutes established benefit provisions and may be amended only through legislative action. The Oklahoma Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Oklahoma Public Employees Retirement System, P.O. Box 53007, Oklahoma City, OK 73152 or by calling (405) 943-8701.

Funding Policy – The contribution rates for the District and its employees are established by and may be amended by Oklahoma statute. The rates are applied to employee’s earnings plus employer-paid fringe benefits. The required contribution for the participating members is 3.5%. The state pays contributions for the District as the employer. The state is required to contribute up to 16.5% of applicable compensation. In addition, the District is required to match the retirement paid on salaries paid with federal funds. All required payments were made. Total contributions by the District are:

<u>Fiscal Year</u>	<u>Contributions</u>
2013-14	\$5,051
2012-13	\$4,464
2011-12	\$3,157
2010-11	\$4,344
2009-10	\$4,277
2008-09	\$4,030
2007-08	\$3,748
2006-07	\$3,872
2005-06	\$2,962
2004-05	\$2,609

**GRADY COUNTY CONSERVATION DISTRICT**  
**Grady County, Oklahoma**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**Note 3 – Other Notes, (continued)**

**G. Cash Investments**

The District's investment policies are governed by state statute. Permissible investments include direct obligation of the U.S. Government and Agencies, certificates of deposits of savings and loan associations, banks and credit unions, and savings accounts or savings certificates of savings and loan associations, banks and credit unions.

**H. Commitments and Contingencies.**

The governing Board of the District is not aware of any pending or threatened legal actions against it.

Amount received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures which may be disallowed by the grantor cannot be determined at this time, although, the District expects such amounts, if any, to be immaterial.