

**LEFLORE COUNTY CONSERVATION
DISTRICT #4**

FINANCIAL STATEMENTS

JUNE 30, 2012

LEFLORE COUNTY CONSERVATION DISTRICT #4

JUNE 30, 2012

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LEFLORE COUNTY CONSERVATION DISTRICT #4

LIST OF PRINCIPAL OFFICIALS

Board of Directors

Chairman	Edward Abernathy
Vice-Chairman	Virginia Kidd
Sec/Treasurer	Larry Young
Member	Jasper Rabourn
Member	John Hambrick

District Manager

Brandon Faulkenberry

District Secretary

Lisa Grey

DAVID F. HEDGES, CPA

P. O. Box 286

101 North Main

Spiro, Oklahoma 74959

Member:
American Institute of CPA'S
Oklahoma Society of CPA'S

Phone (918) 962-2401

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Board of Directors
LeFlore County Conservation District #4

I have compiled the accompanying statement of net assets – modified cash basis of LeFlore County Conservation District #4 as of June 30, 2012, and the related statement of revenues, expenses and changes in net assets and the statement of cash flows for the year then ended. I 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.

The LeFlore County Conservation District #4 is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My 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 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.

Management has omitted the management's discussion and analysis information that is required to be presented for purposes of additional analysis. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Spiro, Oklahoma
November 6, 2012



**LEFLORE COUNTY CONSERVATION DISTRICT #4
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2012**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 11,383
Certificates of Deposit	8,317
Total Current Assets	19,700

Noncurrent Assets:

Restricted Cash and Cash Equivalents	8,102
Restricted Certificates of Deposit	247,196
Capital Assets:	
Furniture & Fixtures	575
Equipment	97,452
Vehicles	23,941
Less Accumulated Depreciation	(81,169)
Total Net Capital Assets	40,799
 Total Noncurrent Assets	 296,097
 Total Assets	 \$ 315,797

LIABILITIES

NET ASSETS:

Invested in Capital Assets, Net of Related Debt	\$ 40,799
Unrestricted	19,700
Restricted	255,298
Total Net Assets	\$ 315,797

See accompanying notes and accountant's compilation report

**LEFLORE COUNTY CONSERVATION DISTRICT #4
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

OPERATING REVENUES:

Oklahoma Conservation Commission	\$ 86,957
Equipment Rental & Sprigging	1,228
Custom Work	24,439
Tree Sales	1,807
Sprig Sales	75
Miscellaneous	3,283
Total Operating Revenues	<u>117,789</u>

OPERATING EXPENSES:

Salaries	73,189
Payroll Taxes	6,019
Dues	1,619
Directors' Meeting Expense	1,250
Education	1,094
Professional Expenses	820
Utilities & Telephone	2,166
Equipment Maintenance & Repair	6,556
Travel	1,499
Office Expense	5,035
Insurance	3,788
Tree Sale Expense	2,119
Sprig Sale Expense	4,368
Election Expense	246
Depreciation	14,136
Total Operating Expenses	<u>123,904</u>

Operating Income (6,115)

NONOPERATING REVENUES (EXPENSES):

Interest Income	<u>1,921</u>
Total Nonoperating Revenues (Expenses)	<u>1,921</u>

Changes in Net Assets (4,194)

Net Assets - Beginning of the Year	<u>319,991</u>
Net Assets - End of the Year	<u>\$ 315,797</u>

See accompanying notes and accountant's compilation report

**LEFLORE COUNTY CONSERVATION DISTRICT #4
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from Oklahoma Conservation Commission	\$ 86,957
Cash received from custom services	27,549
Cash paid to employees	(73,189)
Cash paid to suppliers	(36,579)
Other receipts	3,283
Net Cash Provided (Used) by Operating Activities	<u>8,021</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	<u>(18,795)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(18,795)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income received	<u>1,921</u>
Net Cash Provided by Investing Activities	<u>1,921</u>

Net Increase in Cash and Cash Equivalents	(8,853)
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Beginning Cash and Cash Equivalents	<u>283,851</u>
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Ending Cash and Cash Equivalents	<u><u>\$ 274,998</u></u>
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RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY

Operating Activities:

Operating income	\$ (6,115)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	<u>14,136</u>

Net Cash Provided by Operating Activities	<u><u>\$ 8,021</u></u>
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See accompanying notes and accountant's compilation report

LEFLORE COUNTY CONSERVATION DISTRICT #4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified 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. In the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

1.A. FINANCIAL REPORTING ENTITY

The District's financial reporting entity is composed of The LeFlore County Conservation District a special purpose government. In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

1.B. BASIS OF PRESENTATION

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The District presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The only fund of the financial reporting entity is described below:

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Enterprise Fund

Enterprise funds are 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 reporting entity includes the following enterprise fund that is reported as a major fund:

<u>Fund</u>	<u>Brief Description</u>
LeFlore County Conservation District #4	The District receives local revenues from various sources, and as a subdivision of the Oklahoma Conservation Commission is reimbursed for salaries, office supplies, and meeting expenses.

1.C. MEASUREMENT FOCUS ON BASIS OF ACCOUNTING

Measurement focus is a term used to describe “how” transactions are recorded within the financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the funds financial statements, 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. 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 assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

BASIS OF ACCOUNTING

The fund financial statements are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements, proprietary fund statements, and the similar discretely presented component unit statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and

LEFLORE COUNTY CONSERVATION DISTRICT #4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements would use the accrual basis of accounting.

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit, which are fully insured by the Federal Deposit Insurance Corporation.

CAPTIAL ASSETS

The District’s modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate.

Fund Financial Statements

In the financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Actual historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, the District’s assets were not capitalized. Assets acquired since July 1, 2003 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in Statement of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$150 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	10-25 years
Machinery, furniture and equipment	3-20 years

LONG-TERM DEBT

All long-term debt arising from cash basis transactions to be repaid from the district resources is reported as long term debt in the financial statements.

LEFLORE COUNTY CONSERVATION DISTRICT #4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

EQUITY CLASSIFICATION

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 bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvements 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 and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- 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.”

1.E. REVENUES, EXPENDITURES, AND EXPENSES

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. USE OF STATEMENTS

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a government unit, the District is subject to various federal, state, and local laws and contractual regulations. The following instances of noncompliance are considered material to the financial statements.

LEFLORE COUNTY CONSERVATION DISTRICT #4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

2.A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. At June 30, 2012, there were no uninsured deposits.

NOTE 3. DETAIL NOTES—TRANSACTIONS CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Cash accounts are comprised of demand deposit checking accounts and certificates of deposit. The following schedule summarizes all cash deposited and invested as of June 30, 2012:

Account Description	<u>2012</u> <u>Balance</u>
Unrestricted: Time Deposits	\$ 11,383
Certificate of Deposit	8,317
Total Unrestricted	<u>19,700</u>
Restricted: Time Deposits	8,102
Certificate of Deposit	247,196
Total Restricted	<u>255,298</u>
Total Deposits	<u><u>\$ 274,998</u></u>

Investment Custody Risk – The District’s deposits in financial institutions, reported as cash and investments, had bank balances totaling \$282,123 at June 30, 2012. Of that amount \$282,123 was covered by Federal depository insurance.

Investment Interest Rate Risk – 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.

LEFLORE COUNTY CONSERVATION DISTRICT #4
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Investment Credit Risk – The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U.S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations ; (4) 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; and government money market funds regulated by the SEC.

Concentration of Investment Credit Risk – The District places no limit on the amount it may invest in any one issuer.

3.B. RESTRICTED ASSETS

The restricted deposits from Caston-Mountain were received by court order from Caston-Mountain Creek Conservancy District and are restricted for the maintenance of the Caston-Mountain flood control dams. The deposits for the Outdoor Classrooms are restricted in accordance with Federal and State requirements. The deposits for the Risenhoover Scholarship are restricted for scholarships.

Caston Mountain Conservancy District	\$ 249,040
Outdoor Classroom	3,518
Risenhoover Scholarship	<u>2,740</u>
Total restricted assets	<u>\$ 255,298</u>

3.C. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance at</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>June 30, 2012</u>
Other capital assets:				
Furniture and fixtures	575	0	0	575
Vehicles	23,941	0	0	23,941
Machinery and equipment	78,657	18,795	0	97,452
Total other capital assets at historical cost	<u>103,173</u>	<u>18,795</u>	<u>0</u>	<u>121,968</u>
Less accumulated depreciation for:				
Furniture and fixtures	575	0	0	575
Vehicles	5,291	4,388	0	9,679
Machinery and equipment	61,167	9,748	0	70,915
Total accumulated depreciation	<u>67,033</u>	<u>14,136</u>	<u>0</u>	<u>81,169</u>
Other capital assets, net	<u>36,140</u>	<u>4,659</u>	<u>0</u>	<u>40,799</u>
Capital assets, net	<u>36,140</u>	<u>4,659</u>	<u>0</u>	<u>40,799</u>

LEFLORE COUNTY CONSERVATION DISTRICT #4
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3.D. PENSION PLAN

All full-time employees are covered by and must participate in the Oklahoma Public Employees Retirement Plan (OPERS). The District is not legally required to contribute to the OPERS, which is fully funded by the state and by contribution from covered employees. During the year ended June 30, 2012, the covered employees made contributions of \$2,479 to the OPERS. Under the pension plan, benefits vest after 6 years of full-time employment. An employee with 10 years of service may retire at age 55 and receive reduced retirement benefits.

Based on state statute, employees covered by the pension plan contribute 3.5% of their monthly gross earnings to the pension fund. The state is required to contribute 16.5% of gross earnings to the plan.

The District's total current year payroll for all its employees amounted to \$73,189, of which \$71,209 was the amount of the payroll covered by the plan.

3.E. COMPENSATED ABSENCES

The District's policy for accumulation annual leave is based on years of continuous service. Full-time employees with less than five years of service can accumulated up to 240 hours; employees with over five years of service can accumulate up to 480 hours. The accrual of compensated absences is not reflected in modified cash basis statements.

At June 30, 2012, the District had an unrecorded commitment for earned but unused vacation benefits that would require payment upon employee termination of service in the amount of \$5,619.

3.F. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk Retained
a. Torts, errors and omissions	Coverage provided by Oklahoma Conservation Commission through Compsource	None
b. Injuries to employees (workers' compensation)	Coverage provided by Oklahoma Conservation Commission through Compsource	None
c. Physical property loss and natural disasters	Purchased commercial insurance package	None

LEFLORE COUNTY CONSERVATION DISTRICT #4
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Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

3.G. CONTINGENT LIABILITIES

The District participates in a state assisted program. This program is audited in accordance with Government Auditing Standards in accordance with the required levels of State Financial Assistance. Audits of prior years have not resulted in any significant disallowed costs; however, grantor agencies may provide for further examinations. Based on prior experience, management believes that further examinations would not result in any significant disallowed costs

3.H. ECONOMIC DEPENDENCY

Approximately 73% of the organization's total support was provided through funds appropriated annually by the Oklahoma Conservation Commission which are dependent upon legislative approval.

3.I. SUBSEQUENT EVENTS

Management performed an evaluation of the Organization's activity through November 6, 2012, the compilation report date, and has concluded that there are no significant subsequent events requiring disclosure through that date.

3.J. STATE CONSERVATION COST-SHARE PROGRAM

The District is an intermediary for the State's Conservation Cost-Share Program. The District performed review, inspection and other services for applicants who received funds under the program.