

COMPILATION REPORT & FINANCIAL STATEMENTS  
MCINTOSH COUNTY CONSERVATION DISTRICT  
MCINTOSH COUNTY, OKLAHOMA

JUNE 30, 2012

KERSHAW CPA & ASSOCIATES, PC

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MCINTOSH COUNTY CONSERVATION DISTRICT  
MCINTOSH COUNTY, OKLAHOMA  
JUNE 30, 2012

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MCINTOSH COUNTY CONSERVATION DISTRICT  
MCINTOSH COUNTY, OKLAHOMA  
JUNE 30, 2012

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>TERM</u>
Thomas Shroyer HC 62, Box 87 Eufaula, OK 74432-9614	Chairman	4/7/80 - Present (Appointed)
Mike Beebe HC 62, Box 178B Eufaula, OK 74432-9668	Vice-Chairman	4/14/98 - Present (Appointed)
Paul Morris P.O. Box 562 Eufaula, OK 74432-0562	Director	8/3/92 - Present (Elected)
J.D. Williams HC 64, Box 794 Eufaula, OK 74432-5504	Director	12/21/04 - Present (Elected)
Doug Howell HC 63, Box 248 Eufaula, OK 74432-9756	Director	6/30/10 - Present (Elected)

DISTRICT/NRCS EMPLOYEES

Kathryn Courtwright	District Secretary II
Jacob Worley	District Conservationist
Shane Harjo	Soil Conservation Technician

MEETING DATE

3<sup>rd</sup> Tuesday, 10:00 am, Bi-Monthly

# KERSHAW CPA & ASSOCIATES, PC

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To the Board of Directors  
McIntosh County Conservation District  
P.O. Box 351  
Eufaula, Oklahoma 74432-0351

We have compiled the accompanying statement of net assets - modified cash basis - of the McIntosh County Conservation District as of June 30, 2012, and the related statement of revenues, expenses and changes in net assets - modified cash basis - and the statement of cash flows - modified cash basis - and the statement of cash flows - modified cash basis - for the year then ended. 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 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.

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 financial information in the form of financial statements without undertaking to obtain or provide assurance that there are no material modifications that should be made to the financial statements.

McIntosh County Conservation District has implemented the general provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34. However, the District has not presented the Management's Discussion and Analysis required by the Governmental Accounting Standards Board (GASB) that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Kershaw CPA & Associates, P.C.*

Kershaw CPA & Associates, PC

November 2, 2012

**MCINTOSH COUNTY CONSERVATION DISTRICT  
MCINTOSH COUNTY, OKLAHOMA  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2012**

	Total 2012	Total (Memo Only) 2011
<b><u>ASSETS</u></b>		
<b><u>Current Assets:</u></b>		
Cash in Bank - Checking	\$ 2,134	\$ 2,184
Cash in Bank - Savings	-	-
	2,134	2,184
<b>Total Current Assets</b>	<b>2,134</b>	<b>2,184</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,134</b>	<b>\$ 2,184</b>
 <b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities:</u></b>		
Payroll Taxes Payable	\$ 165	\$ 165
	165	165
<b>Total Current Liabilities</b>	<b>165</b>	<b>165</b>
<b>TOTAL LIABILITIES</b>	<b>165</b>	<b>165</b>
 <b><u>NET ASSETS</u></b>		
Invested in capital assets, net of related debt	-	-
Restricted for debt service	-	-
Unrestricted	1,969	2,019
	1,969	2,019
<b>TOTAL NET ASSETS</b>	<b>1,969</b>	<b>2,019</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 2,134</b>	<b>\$ 2,184</b>

See Accountant's Compilation Report & Notes Which Accompany These Financial Statements

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

	Total June 30, 2012	Total (Memo Only) June 30, 2011
<b><u>Operating Revenues:</u></b>		
Oklahoma Conservation Commission	\$ 23,604	\$ 23,100
Miscellaneous Income	25	-
Total Operating Revenues	23,629	23,100
<b><u>Operating Expenses:</u></b>		
District Salaries & Related Costs	20,115	19,699
Directors' Meetings	595	325
Telephone	761	682
Dues & Subscriptions	400	600
Travel	223	81
Professional Fees	525	700
Meetings	30	20
Miscellaneous Expenses	229	772
Office Supplies & Postage	701	151
Insurance & Bonds	100	100
Total Operating Expenses	23,678	23,131
Operating Income (Loss)	(50)	(31)
<b><u>Non-Operating Revenues (Expenses):</u></b>		
Interest Income	-	-
Interest Expense	-	-
Total Non-operating Revenues (Expenses)	-	-
Net Income (Loss) Before Contributions	(50)	(31)
Capital Contributions	-	-
Change in Net Assets	(50)	(31)
Total Net Assets - Beginning	2,019	2,050
Total Net Assets - Prior Year Adjustment	-	-
Total Net Assets - Ending	\$ 1,969	\$ 2,019

See Accountant's Compilation Report & Notes Which Accompany These Financial Statements

**MCINTOSH COUNTY CONSERVATION DISTRICT  
MCINTOSH COUNTY, OKLAHOMA  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>June 30, 2012</u>	<u>Memorandum Only June 30, 2011</u>
<b><u>Net Cash Flows from Operating Activities:</u></b>		
Cash Receipts from OCC	\$ 23,604	\$ 23,100
Other Cash Receipts	25	-
Payments to Suppliers for Goods & Services	(3,563)	(3,432)
Payments to Employees & Laborers	<u>(20,115)</u>	<u>(19,624)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(50)</u>	<u>44</u>
<b><u>Net Cash Flows from Capital &amp; Related Financing Activities:</u></b>		
Principal paid on Debt	-	-
Interest paid on Debt	-	-
<b>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</b>	<u>-</u>	<u>-</u>
<b><u>Net Cash Flows from Investing Activities:</u></b>		
Interest Income	-	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>-</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(50)	44
<b>Cash &amp; Cash Equivalents, Beginning of Year</b>	2,184	2,140
<b>Cash &amp; Cash Equivalents, Prior Year Adjustment</b>	<u>-</u>	<u>-</u>
<b>Cash &amp; Cash Equivalents, End of Year</b>	<u>\$ 2,134</u>	<u>\$ 2,184</u>
<b><u>Reconciliation of operating income (loss) to net cash provided operating activities:</u></b>		
Operating Income (Loss)	\$ (50)	\$ (31)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	-	-
Increase(Decrease) in Accounts Payable	-	-
Increase(Decrease) in Payroll Taxes Payable	-	75
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (50)</u>	<u>\$ 44</u>

See Accountant's Compilation Report & Notes Which Accompany These Financial Statements

MCINTOSH COUNTY CONSERVATION DISTRICT  
MCINTOSH COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The McIntosh County Conservation District (the "District") is a local subdivision of state government charged with the conservation of renewable natural resources. The District receives funds from state appropriation to the Oklahoma Conservation Commission as well as interest income from its checking account. As a political subdivision of the State of Oklahoma, the District is exempt from income taxes, and its employees are exempt from federal unemployment taxes.

B. Basis of Presentation

The accounts of the District are organized on the basis of proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net assets, revenues and expenses. Enterprise Funds account for activities (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

C. Basis of Accounting

The District has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the District's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets.

As a result of the used 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 expenses for goods or services received but not yet paid, and accrued expense and liabilities) are not recorded in these



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JUNE 30, 2012

financial statements. Therefore, when reviewing the financial information and discussion within this financial report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

D. Budgetary Data

The District does not prepare an annual budget.

E. Assets, Liabilities, & Equity

Cash & Cash Equivalents

For the purpose of financial reporting, "cash & cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. All accounts are fully insured by the Federal Deposit Insurance Corporation.

Investments

Investments classified in the financial statements consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value. As of June 30, 2012, the District has no investments.

Capital Assets

The District expenses the purchase of capital assets in the period purchased and does not depreciate those assets.

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of various debt issues.

Equity Classification

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

1. 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 borrowings that are attributable to the acquisition, construction, or improvements of those assets.

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2. Restricted net assets—Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

F. Revenues, expenditures & 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.

G. Memorandum Only

Total Columns on combined statements are captioned “Memorandum Only” to indicate that they are presented only to aid in financial analysis.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the District is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the District’s internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Finance-related Legal & Contractual Provisions

Because the District has no long-term debt, there are no reserve requirements.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the District for this fiscal year.

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk

At June 30, 2012, the District held deposits of approximately \$2,134 at financial institutions. The District’s cash deposits, including interest-

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bearing certificates of deposit are 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 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.

Investment Credit Risk

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

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 4 - RESTRICTED ASSETS

The District currently has no restricted assets.

NOTE 5 - CAPITAL ASSETS

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

MCINTOSH COUNTY CONSERVATION DISTRICT  
 MCINTOSH COUNTY, OKLAHOMA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012

	Balance at June 30, 2011	Additions	Deductions	Balance at June 30, 2012
Capital Assets	\$ -	\$ -	\$ -	\$ -
Subtotal	-	-	-	-
Less: Accum. Depr.	-	-	-	-
Total Capital Assets (Net of Depreciation)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 - LONG-TERM DEBT

The District currently has no long-term debt.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	Balance at June 30, 2011	Additions	Deductions	Balance at June 30, 2012
Notes Payable	\$ -	\$ -	\$ -	\$ -
Total Long-Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 7 - FUND EQUITY

As described in Note 1 above, equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt
2. Restricted net assets
3. Unrestricted net assets

The District does not have any restricted net assets.

NOTE 8 - CONTINGENCIES

Litigation

The District currently has no pending litigation.

Federally Assisted Programs

In the normal course of operations, the District participates in various federal or state/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

MCINTOSH COUNTY CONSERVATION DISTRICT  
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NOTE 9 - 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 contributions from covered employees. During the year ended June 30, 2012, the covered employees made contributions of \$604.40 to the OPERS. Under the pension plan, benefits vest after 8 years of full-time employment. An employee with 10 years of service may retire at age 55 and receive reduced retirement benefits.

Based on Oklahoma statute, employees covered by the pension plan must contribute 3% of their gross earnings to the pension fund. The state is required to contribute 10% of gross earnings to the plan. The District's total current year payroll for all its employees amounted to \$17,269.72, the same amount as the payroll covered by the plan.

NOTE 10 - COMPENSATED ABSENCES

The District's policy for accumulated annual leave is based on years of continuous service. Full-time employees with less than five years of service can accumulate 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 the cash basis statements. The District records vacation and sick leave at the time the claim is paid.

The District currently employs one employee on a part-time basis. The District splits a benefit and retirement package with a neighbor District, Checotah Conservation District #20. The employee's full-time basis and vacation and sick leave expense is split between the two districts.

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 \$4,605.64.

NOTE 11 - SUBSEQUENT EVENTS

The District did not have any subsequent events through November 2, 2012, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2012.

Conservation District	<b>MCINTOSH COUNTY CONSERVATION DISTRICT</b>	
Address	<b>P.O. BOX 351, EUFAULA, OK 74432-0351</b>	
<b>FOR THE PERIOD JULY 1, 2011, TO JUNE 30, 2012 FOR FISCAL YEAR 2012</b>		
<b>1. LIQUID ASSETS</b> (Checking Account, Savings Account, Certificate of Deposit, Petty Cash, Etc.)		<b>TOTAL \$ <u>2,134</u></b>
<b>2. WORKING ASSETS</b>		
Building	\$ <u>0</u>	
Equipment	\$ <u>0</u>	<b>TOTAL WORKING</b>
Other (Seed, Etc.)	\$ <u>0</u>	<b>ASSETS \$ <u>0</u></b>
<b>3. RECEIPTS</b> (from Annual Audit)	\$ <u>23,629</u>	
<b>4. DISBURSEMENTS</b>	\$ <u>23,678</u>	
<b>5. NET WORTH OF DISTRICT</b> (Lines 1+2)		<b>TOTAL \$ <u>2,134</u></b>

I, \_\_\_\_\_, the undersigned hereby certify the above to be true and correct.

Signature (Chair, Board of Directors) \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

Notary Public \_\_\_\_\_

My Commission Expires \_\_\_\_\_

**DUE IN OCC OFFICE BY NOVEMBER 1 OF EACH YEAR**