

COMPILATION REPORT & FINANCIAL STATEMENTS

HASKELL COUNTY CONSERVATION DISTRICT #81

JUNE 30, 2014

KERSHAW CPA & ASSOCIATES, PC

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HASKELL COUNTY CONSERVATION DISTRICT #81
JUNE 30, 2014

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HASKELL COUNTY CONSERVATION DISTRICT #81
JUNE 30, 2014

BOARD OF DIRECTORS

| <u>NAME</u> | <u>POSITION</u> |
|---------------|---------------------|
| Jerry Terrell | Chairman |
| Phil Cantrell | Vice Chairman |
| Larry Watson | Secretary/Treasurer |
| Kelly Barton | Member |
| Barry Hamlin | Member |

DISTRICT EMPLOYEES

| | |
|---------------|--------------------|
| Brenda Dawson | District Secretary |
|---------------|--------------------|

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ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Haskell County Conservation District #81

We have compiled the accompanying financial statements of the Haskell County Conservation District #81 as of June 30, 2014. 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, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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.

Haskell County Conservation District #81 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

January 9, 2015

**HASKELL COUNTY CONSERVATION DISTRICT #81
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2014**

| | <u>Total 2014</u> |
|---|-------------------------|
| <u>ASSETS</u> | |
| <u>Current Assets:</u> | |
| Cash and cash equivalents | \$ 18,812 |
| Investments | <u>11,700</u> |
| Total Current Assets | <u>30,512</u> |
| <u>Non-current Assets:</u> | |
| Restricted Cash and Cash Equivalents | 8,564 |
| Capital Assets: | |
| Land | 3,250 |
| Buildings | 9,500 |
| Equipment | 109,795 |
| Vehicles | 26,424 |
| Less: Accumulated Depreciation | <u>(100,204)</u> |
| Total Net Capital Assets | <u>48,765</u> |
| Total Non-current Assets | <u>57,330</u> |
| TOTAL ASSETS | <u><u>\$ 87,841</u></u> |
| <u>LIABILITIES</u> | |
| <u>Current Liabilities:</u> | |
| Payroll tax withheld | \$ - |
| Current Portion of Capital Lease | <u>-</u> |
| Total Current Liabilities | <u>-</u> |
| <u>Non-current Liabilities:</u> | |
| Capital Lease | <u>-</u> |
| TOTAL LIABILITIES | <u>-</u> |
| <u>NET POSITION</u> | |
| Net investment in capital assets | 48,765 |
| Restricted for debt service | 8,564 |
| Unrestricted | <u>30,512</u> |
| TOTAL NET POSITION | <u>87,841</u> |
| TOTAL LIABILITIES & NET POSITION | <u><u>\$ 87,841</u></u> |

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

**HASKELL COUNTY CONSERVATION DISTRICT #81
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
- MODIFIED CASH BASIS -
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | Total June 30, 2014 |
|---|--------------------------------|
| <u>Operating Revenues:</u> | |
| Oklahoma Conservation Commission | \$ 54,723 |
| Equipment Rental | 1,200 |
| Bermuda Root Sales | 1,105 |
| Customer Sprigging | 2,822 |
| Custom Sod Drilling | 1,450 |
| Banker's Banquet | 462 |
| Donations | 600 |
| Fencing | 14,944 |
| Farm Labor | - |
| Miscellaneous | 45 |
| Total Operating Revenues | 77,350 |
| <u>Operating Expenses:</u> | |
| Salaries & Related Expenses | 48,308 |
| Longevity Pay | 1,062 |
| Meetings & Mileage Expense | 2,018 |
| Telephone & Utilities | 2,160 |
| Insurance | 1,423 |
| Gas, Diesel & Oil | 3,419 |
| Machinery, Parts & Maintenance | 11,043 |
| Bermuda Roots | 190 |
| Banker's Banquet | 1,926 |
| Office Expense | 1,806 |
| Dues | 545 |
| Education | 1,963 |
| Miscellaneous | 4 |
| Depreciation | 11,806 |
| Total Operating Expenses | 87,673 |
| Operating Income (Loss) | (10,322) |
| <u>Non-Operating Revenues (Expenses):</u> | |
| Interest Income | 40 |
| Interest Expense | - |
| Total Non-operating Revenues (Expenses) | 40 |
| Net Income (Loss) Before Contributions | (10,282) |
| Capital Contributions - Grant Income | - |
| Change in Net Position | (10,282) |
| Total Net Position - Beginning | 96,866 |
| Total Net Position - Prior Year Adjustment | 1,258 |
| Total Net Position - Ending | \$ 87,841 |

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

**HASKELL COUNTY CONSERVATION DISTRICT #81
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| | <u>June 30, 2014</u> |
|---|-------------------------|
| <u>Cash Flows from Operating Activities:</u> | |
| Receipts from OCC | \$ 54,723 |
| Other Receipts | 22,628 |
| Payments to Suppliers for Goods & Services | (27,558) |
| Payments to Employees & Laborers | <u>(48,308)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>1,483</u> |
| <u>Cash Flows from Capital & Related Financing Activities:</u> | |
| Purchase of Capital Assets | - |
| Principal paid on Debt | - |
| Interest paid on Debt | <u>-</u> |
| Net Cash Provided (Used) by Capital & Related Financing Activities | <u>-</u> |
| <u>Cash Flows from Investing Activities:</u> | |
| Grant Income Received | - |
| Interest Income Received | <u>40</u> |
| Net Cash Provided (Used) by Investing Activities | <u>40</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,524 |
| Cash & Cash Equivalents, Beginning of Year | 37,553 |
| Cash & Cash Equivalents, Prior Year Adjustment | <u>-</u> |
| Cash & Cash Equivalents, End of Year | <u><u>\$ 39,076</u></u> |
| | - |
| <u>Reconciliation of operating income (loss) to net cash provided operating activities:</u> | |
| Operating Income (Loss) | \$ (10,322) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | |
| Depreciation | 11,806 |
| Increase(Decrease) in Payroll Taxes Payable | <u>-</u> |
| Net Cash Provided (Used) by Operating Activities | <u><u>\$ 1,483</u></u> |

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

HASKELL COUNTY CONSERVATION DISTRICT #81
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 a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. Reporting Entity

Haskell County Conservation District #81 (the "District") was established to assist with certain conservation projects in Haskell County, Oklahoma. The District is managed by a five member Board of Directors.

Primary funding for the District is provided by the Oklahoma Conservation Commission (the "Commission"). The District is reimbursed for approved expenses by the Commission.

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).

HASKELL COUNTY CONSERVATION DISTRICT #81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

C. Measurement Focus and Basis of Accounting

Measurement Focus

The District utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the District utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for proprietary fund types would use the accrual basis of accounting.

HASKELL COUNTY CONSERVATION DISTRICT #81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

D. Financial Position

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.

Capital Assets

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

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. Estimated useful lives, in years, for depreciable assets are as follow:

| | <u>Years</u> |
|------------------------------------|--------------|
| Buildings | 40-50 |
| Improvements, other than buildings | 10-25 |
| Furniture, machinery and equipment | 3-20 |

HASKELL COUNTY CONSERVATION DISTRICT #81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 position and displayed in three components:

1. *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 attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. *Restricted* - Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction 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 amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of net position.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

E. 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.

HASKELL COUNTY CONSERVATION DISTRICT #81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

F. Use of estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates. Capital assets may be used beyond their original estimated useful life.

G. Memorandum Only

The "Memorandum Only" captions above the total columns mean that totals are presented for overview information purposes only.

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.

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 - CASH AND INVESTMENTS

Custodial Credit Risk

At June 30, 2014, the District held deposits of approximately \$39,076 at financial institutions. The District's cash deposits, including interest-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.

HASKELL COUNTY CONSERVATION DISTRICT #81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 amounts reported as restricted assets are composed of amounts held in a savings fund of \$8,564.

The District maintains the following restricted accounts:

The District established a savings fund that receives donations which are restricted for educational purposes.

NOTE 5 - CAPITAL ASSETS

Capital asset activity, resulting from the modified cash basis transactions, for the fiscal year ended June 30, 2014, was as follows:

HASKELL COUNTY CONSERVATION DISTRICT #81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

| | Balance at June 30, 2013 | Additions | Deductions | Balance at June 30, 2014 |
|--|--------------------------------|-------------|------------|--------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 3,250 | \$ - | \$ - | \$ 3,250 |
| Total capital assets not being depreciated | 3,250 | - | - | 3,250 |
| Other capital assets: | | | | |
| Buildings | 9,500 | - | - | 9,500 |
| Vehicles | 26,424 | - | - | 26,424 |
| Machinery & Equipment | 109,795 | - | - | 109,795 |
| Total other capital assets at historical | 145,719 | - | - | 145,719 |
| Less accumulated depreciation for: | | | | |
| Buildings | 5,601 | 238 | - | 5,839 |
| Vehicles | 18,957 | 2,800 | - | 21,757 |
| Machinery & Equipment | 63,840 | 8,768 | - | 72,608 |
| Total accumulated depreciation | 88,398 | 11,806 | - | 100,204 |
| Other capital assets, net | 57,321 | (11,806) | - | 45,515 |
| Total Capital Assets (Net of Depreciation) | \$ 60,571 | \$ (11,806) | \$ - | \$ 48,765 |

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, 2014:

| | Balance at June 30, 2013 | Additions | Deductions | Balance at June 30, 2014 |
|-----------------------|-----------------------------|-----------|------------|-----------------------------|
| Capital Lease Payable | \$ - | \$ - | \$ - | \$ - |
| Total Long-Term Debt | \$ - | \$ - | \$ - | \$ - |

NOTE 7 - FUND EQUITY

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

1. Net investment in capital assets
2. Restricted
3. Unrestricted

The District's restricted amounts are described in Note 4 above.

NOTE 8 - CONTINGENCIES

Litigation

The District currently has no pending litigation.

HASKELL COUNTY CONSERVATION DISTRICT #81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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.

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, 2014, the covered employees made contributions of \$1,122.96 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 Oklahoma statute, employees covered by the pension plan must contribute 3.5% of their monthly gross earnings to the pension fund. The state is required to contribute 15.5% of gross earnings to the plan. The District's total current year payroll for all its employees amounted to \$42,277.40, of which \$32,087.40 was the amount of 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 modified cash basis statements. The District records vacation and sick leave at the time the claim is paid.

At June 30, 2014, 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 \$3,207.24.

HASKELL COUNTY CONSERVATION DISTRICT #81
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 - SUBSEQUENT EVENTS

The District did not have any subsequent events through January 9, 2015, 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, 2014.

ANNUAL NET WORTH STATEMENT

OCC-5K (07/01)

| | | | |
|---|--|--------------------------|------------------------|
| Conservation District | HASKELL COUNTY CONSERVATION DISTRICT #81 | | |
| Address | 1005 W. MAIN STREET, SUITE B, STIGLER, OK 74462 | | |
| FOR THE PERIOD JULY 1, 2013, TO JUNE 30, 2014 FOR FISCAL YEAR 2014 | | | |
| 1. LIQUID ASSETS (Checking Account, Savings Account, Certificate of Deposit, Petty Cash, Etc.) | | | |
| | | | TOTAL \$ 39,076 |
| 2. WORKING ASSETS | | | |
| Building | \$ 6,911 | | |
| Equipment | \$ 41,854 | TOTAL WORKING | |
| Other (Seed, Etc.) | \$ 0 | ASSETS \$ | 48,765 |
| 3. RECEIPTS (from Annual Audit) | | | |
| | \$ 77,390 | | |
| 4. DISBURSEMENTS | | | |
| | \$ 87,673 | | |
| 5. NET WORTH OF DISTRICT (Lines 1+2) | | | |
| | | | TOTAL \$ 87,841 |

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 _____ 2015.

Notary Public _____

My Commission Expires _____

DUE IN OCC OFFICE BY NOVEMBER 1 OF EACH YEAR