

COMPILATION REPORT & FINANCIAL STATEMENTS

MAYES COUNTY CONSERVATION DISTRICT
MAYES COUNTY, OKLAHOMA

JUNE 30, 2014

KERSHAW CPA & ASSOCIATES, PC

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MAYES COUNTY CONSERVATION DISTRICT
MAYES COUNTY, OKLAHOMA
JUNE 30, 2014

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MAYES COUNTY CONSERVATION DISTRICT
MAYES COUNTY, OKLAHOMA
JUNE 30, 2014

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRATION</u>
Larry Nenstiel	Chairman	6/30/2015
David McCollough	Vice-Chairman	6/30/2016
Dennis Delozier	Director	6/30/2017
Jerry Koelsch	Director	6/30/2016
Fred "Bud" Osborne	Treasurer	6/30/2015

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ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Mayes County Conservation District
Mayes County, Oklahoma

We have compiled the accompanying financial statements of the Mayes County Conservation District 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.

Mayes 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

September 26, 2014

MAYES COUNTY CONSERVATION DISTRICT
MAYES COUNTY, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2014

	Total 2014
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash	\$ 2,638
Total Current Assets	2,638
<u>Capital Assets:</u>	
Property, Plant & Equipment	20,273
Less: Accumulated Depreciation	(12,451)
Net Capital Assets	7,822
TOTAL ASSETS	\$ 10,460
 <u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Current portion of long-term debt	\$ 1,422
Total Current Liabilities	1,422
<u>Long-Term Liabilities:</u>	
Notes payable - long-term	4,719
Total Long-Term Liabilities	4,719
TOTAL LIABILITIES	6,142
 <u>NET POSITION</u>	
Net investment in capital assets	-
Restricted for debt service	-
Unrestricted	4,319
TOTAL NET POSITION	4,319
TOTAL LIABILITIES & NET POSITION	\$ 10,460

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

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

	<u>Total June 30, 2014</u>
<u>Operating Revenues:</u>	
Oklahoma Conservation Commission Reimbursements	\$ 31,891
Miscellaneous Income - Locally Earned	5,179
Total Operating Revenues	<u>37,070</u>
<u>Operating Expenses:</u>	
District Salaries & Related Costs	27,708
Professional Fees	900
Director's fees	1,000
Repairs and Maintenance	2,961
Copier Rental	559
Miscellaneous	1,474
Depreciation	2,749
Total Operating Expenses	<u>37,350</u>
Operating Income (Loss)	(280)
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	2
Interest Expense	(323)
Total Non-operating Revenues (Expenses)	<u>(321)</u>
Net Income (Loss) Before Contributions	(601)
Capital Contributions	-
Change in Net Position	(601)
Total Net Position - Beginning	5,157
Total Net Position - Prior Year Adjustment	(237)
Total Net Position - Ending	<u>\$ 4,319</u>

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

**MAYES COUNTY CONSERVATION DISTRICT
MAYES COUNTY, OKLAHOMA
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	\$ 31,891
Other Receipts	5,179
Payments to Suppliers for Goods & Services	(6,894)
Payments to Employees & Laborers	<u>(27,708)</u>
Net Cash Provided (Used) by Operating Activities	<u>2,469</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
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>	
Interest Income	<u>2</u>
Net Cash Provided (Used) by Investing Activities	<u>2</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,471
Cash & Cash Equivalents, Beginning of Year	404
Cash & Cash Equivalents, Prior Year Adjustment	<u>(237)</u>
Cash & Cash Equivalents, End of Year	<u><u>\$ 2,638</u></u>
<u>Reconciliation of operating income (loss) to net cash provided</u>	
<u>operating activities:</u>	
Operating Income (Loss)	\$ (280)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	<u>2,749</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 2,469</u></u>

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

MAYES COUNTY CONSERVATION DISTRICT
MAYES 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 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

The Mayes 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).

MAYES COUNTY CONSERVATION DISTRICT
MAYES COUNTY, OKLAHOMA
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.

MAYES COUNTY CONSERVATION DISTRICT
MAYES COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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.

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.

Capital Assets

Capital assets are stated at cost or estimated cost. Depreciation is calculated on the straight-line method over a useful life of 7 years.

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

MAYES COUNTY CONSERVATION DISTRICT
MAYES COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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.

F. 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. 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.

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.

MAYES COUNTY CONSERVATION DISTRICT
MAYES COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk

At June 30, 2014, the District held deposits of approximately \$2,638 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.

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.).

MAYES COUNTY CONSERVATION DISTRICT
MAYES COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4 - RESTRICTED ASSETS

The District currently has no restricted assets.

NOTE 5 - CAPITAL ASSETS

	Balance at June 30, 2013	Additions	Deductions	Balance at June 30, 2014
Equipment	\$ 20,273.00	\$ -	\$ -	\$ 20,273.00
Less: Acum. Depreciation	\$ (9,702.00)	\$ (2,749.00)	\$ -	\$ (12,451.00)
Net Capital Assets	<u>\$ 10,571.00</u>	<u>\$ (2,749.00)</u>	<u>\$ -</u>	<u>\$ 7,822.00</u>

NOTE 6 - LONG-TERM DEBT

In August 2010, the District purchased a 14' Lanco Litter/Lime Spreader valued at \$16,250. Under the terms of the purchase, the District paid \$6,000 down and will make four annual payments of \$3,129, for a total cost of \$18,517. This loan was refinanced and transferred to Welch State Bank on September 19, 2013. Accrued interest was rolled into the new principal balance of \$6,141.61. The loan now includes four annual payments of \$1,737.35, first due on September 19, 2014.

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
Notes Payable	\$ 5,818.59	\$ 323.02	\$ -	\$ 6,141.61
Total Long-Term Debt	<u>\$ 5,818.59</u>	<u>\$ 323.02</u>	<u>\$ -</u>	<u>\$ 6,141.61</u>

Debt Service Requirements to Maturity

Year	Principal	Interest	Total Payment
2015	\$ 1,422.29	\$ 315.06	\$ 1,737.35
2016	\$ 1,495.25	\$ 242.10	\$ 1,737.35
2017	\$ 1,571.50	\$ 165.85	\$ 1,737.35
2018	\$ 1,652.57	\$ 84.78	\$ 1,737.35
Total	<u>\$ 6,141.61</u>	<u>\$ 807.79</u>	<u>\$ 6,949.40</u>

NOTE 7 - FUND EQUITY

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

MAYES COUNTY CONSERVATION DISTRICT
MAYES COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

The District does not have any restricted amounts.

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.

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 \$2,073.00 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 3.5% 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 \$25,226, the same amount as the payroll covered by the plan.

MAYES COUNTY CONSERVATION DISTRICT
MAYES COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 \$816.50.

NOTE 11 - SUBSEQUENT EVENTS

The District did not have any subsequent events through September 26, 2014, 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.

Conservation District	MAYES COUNTY CONSERVATION DISTRICT	
Address	PO BOX 36, PRYOR, OK 74362-0036	
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 \$ <u>2,638</u>
2. WORKING ASSETS		
Building	\$ <u>0</u>	
Equipment	\$ <u>7,822</u>	TOTAL WORKING
Other (Seed, Etc.)	\$ <u>0</u>	ASSETS \$ <u>7,822</u>
3. RECEIPTS (from Annual Audit)	\$ <u>37,073</u>	
4. DISBURSEMENTS	\$ <u>37,674</u>	
5. NET WORTH OF DISTRICT (Lines 1+2)		TOTAL \$ <u>10,460</u>

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 _____ 2014.

Notary Public _____

My Commission Expires _____

DUE IN OCC OFFICE BY NOVEMBER 1 OF EACH YEAR