

**TALIHINA CONSERVATION  
DISTRICT #74**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**TALIHINA CONSERVATION DISTRICT #74**

**JUNE 30, 2018**

**INDEX**

	Page
LIST OF PRINCIPAL OFFICIALS	1
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT	2
FINANCIAL STATEMENTS	
Statement of Net Position - Modified Cash Basis	3
Statement of Revenues, Expenses, and Changes in Net Position - Modified Cash Basis	4
Statement of Cash Flows - Modified Cash Basis	5
Notes to Financial Statements	6-13

## **TALIHINA CONSERVATION DISTRICT #74**

### **LIST OF PRINCIPAL OFFICIALS**

#### **Board of Directors**

Chairman	Ronnie Rose
Vice-Chairman	Kyle Griffith
Secretary-Treasurer	Paul Dorsey
Member	Tim Kreutzer
Member	Scott Medders

#### District Manager

Donna Hanebrink

#### Equipment Manager

Robert Butler

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## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Board of Directors  
Talihina Conservation District #74

To the Board of Directors  
Talihina Conservation District #74

Management is responsible for the accompanying modified cash basis financial statements of the Talihina Conservation District #74, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Districts basic financial statements as listed in the table of contents, in accordance with the modified cash basis of accounting and for determining that the modified cash basis of accounting and is an acceptable financial reporting framework. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Spiro, Oklahoma  
October 24, 2018



**TALIHINA CONSERVATION DISTRICT #74**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**JUNE 30, 2018**

**ASSETS**

**Current Assets:**

Cash and Cash Equivalents	8,188
<b>Total Current Assets</b>	<u>8,188</u>

**Noncurrent Assets:**

Restricted Cash and Cash Equivalents	1,165
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**Capital Assets:**

Buildings	35,000
Furniture and Fixtures	200
Equipment	64,121
Less Accumulated Depreciation	<u>(97,004)</u>
<b>Total Net Capital Assets</b>	<u>2,317</u>

<b>Total Noncurrent Assets</b>	<u>3,482</u>
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<b>TOTAL ASSETS</b>	<u>11,670</u>
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**LIABILITIES**

**Current Liabilities:**

Payroll Taxes Withheld	919
<b>Total Liabilities</b>	<u>919</u>

**NET POSITION:**

Invested in Capital Assets, Net of Related Debt	2,317
Unrestricted	<u>8,434</u>
<b>TOTAL NET POSITION</b>	<u><u>10,751</u></u>

See accompanying notes and independent accountant's report

**TALIHINA CONSERVATION DISTRICT #74  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**OPERATING REVENUES:**

Oklahoma Conservation Commission	178,467
Custom Work	6,780
Miscellaneous	976
<b>TOTAL OPERATING REVENUES</b>	<u>186,223</u>

**OPERATING EXPENSES:**

Dues & Assessments	50
Building Maintenance Expense	728
Postage/Office Supplies	440
Education/Meeting Expense	365
Audit Fee	1,385
Watershed Operation/Maintenance	89,562
Utilities & Telephone	3,854
District Salaries & Related Costs	56,545
Equipment Maintenance & Repair	30
Fuel	6
Director Election Expense	89
Travel Expense	1,796
SCS Participant Payments	36,111
Miscellaneous	777
Depreciation	2,204
<b>TOTAL OPERATING EXPENSES</b>	<u>193,942</u>

Operating Income	(7,719)
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**NONOPERATING REVENUES (EXPENSES):**

Interest Income	<u>2</u>
<b>TOTAL NONOPERATING EXPENSES</b>	<u>2</u>

Changes in Net Position	(7,717)
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Net Position - Beginning of the Year	18,468
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Net Position - End of the Year	<u><u>10,751</u></u>
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See accompanying notes and independent accountant's report

**TALIHINA CONSERVATION DISTRICT #74  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Cash Flows From Operating Activities:**

Cash received from Oklahoma Conservation Commission	178,467
Cash received from custom services	6,780
Cash paid to employees	(56,545)
Cash paid to suppliers	(135,193)
Other receipts	674
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>(5,817)</u></u>

**Cash Flows From Noncapital Financing Activities:**

Increase in payroll taxes payables	919
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<u><u>919</u></u>

**Cash Flows From Investing Activities:**

Interest income received	2
<b>Net Cash Provided by Investing Activities</b>	<u><u>2</u></u>

Net Increase in Cash and Cash Equivalents	(4,896)
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Beginning Cash and Cash Equivalents	14,249
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<b>Ending Cash and Cash Equivalents</b>	<u><u>9,353</u></u>
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**Reconciliation of Operating Income to Net Cash Provided By**

**Operating Activities:**

Operating income	(7,719)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,204

<b>Net Cash Provided by Operating Activities</b>	<u><u>(5,515)</u></u>
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See accompanying notes and independent accountant's report

**TALIHINA CONSERVATION DISTRICT #74**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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 Talihina Conservation District #74 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.



**TALIHINA CONSERVATION DISTRICT #74**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**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>
Talihina Conservation District #74	The District receives funds from state appropriations from the Oklahoma Conservation Commission as well as local revenues from various sources.

**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.

**TALIHINA CONSERVATION DISTRICT #74**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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 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, 2004. Prior to July 1, 2004, the District’s assets were not capitalized. Assets acquired since July 1, 2004 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

**TALIHINA CONSERVATION DISTRICT #74**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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.

**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.

**TALIHINA CONSERVATION DISTRICT #74**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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.

**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, 2018, 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**

**CUSTODIAL CREDIT RISK-DEPOSITS**

The table presented below is designed to disclose the level of custodial credit risk assumed by the District based upon how its deposits were insured or secured with collateral at June 30, 2004. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

- Category 1-- Insured or registered with securities held by the District (or public trust) or by its agent in the entity's name.
- Category 2-- Uninsured and unregistered with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3-- Uninsured and unregistered with securities held by the pledging financial institution or by its trust department or agent but not in the District's name.

**TALIHINA CONSERVATION DISTRICT #74**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Primary Government**

*Custody Credit Risk Category*

Type of Deposits	Balance	Total Bank			Total Carrying Value
		1	2	3	
Insured deposits	\$ 9,353	\$ 9,353	-	-	\$ 9,353

**Reconciliation to Statement of Net Assets:**

Cash and Cash Equivalents	8,188
Restricted Cash and Cash Equivalents	1,165
Total Cash and Certificates of Deposit	<u>\$ 9,353</u>

**3.B. RESTRICTED ASSETS**

The amounts reported as restricted assets are composed of amounts held for the Scholarship Fund of \$1,165.

**3.C. CAPITAL ASSETS**

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2018, was as follows:

	<b><u>Balance at</u></b> <b><u>7/1/2017</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Balance at</u></b> <b><u>6/30/2018</u></b>
Other capital assets:				
Buildings	35,000	0	0	35,000
Furniture & Fixtures	200	0	0	200
Equipment	64,121	0	0	64,121
Total other capital assets at historical cost	<u>99,321</u>	<u>0</u>	<u>0</u>	<u>99,321</u>
Less accumulated depreciation for:				
Buildings	35,000	0	0	35,000
Furniture & Fixtures	200	0	0	200
Equipment	59,600	2,204	0	61,804
Total accumulated depreciation	<u>94,800</u>	<u>2,204</u>	<u>0</u>	<u>97,004</u>
Other capital assets, net	<u>4,521</u>	<u>(2,204)</u>	<u>0</u>	<u>2,317</u>
Capital assets, net	<u>4,521</u>	<u>(2,204)</u>	<u>0</u>	<u>2,317</u>

**TALIHINA CONSERVATION DISTRICT #74**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**3.D. LONG-TERM DEBT**

The District currently has no long-term debt.

**3.E. 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, 2018, the covered employees made contributions of \$1,530 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 \$50,248, of which \$42,373 was the amount of the payroll covered by the plan.

**3.F. 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 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 modified cash basis statements.

At June 30, 2018, 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 \$9,643.

**NOTE 4. OTHER NOTES**

**4.A. 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:

**TALIHINA CONSERVATION DISTRICT #74**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

<b>Type of Loss</b>	<b>Method Managed</b>	<b>Risk Retained</b>
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

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.

**4.B. ECONOMIC DEPENDENCY**

Approximately 95% of the organization's total support was provided through funds appropriated annually by the Oklahoma Conservation Commission which are dependent upon legislative approval.

**4.C. SUBSEQUENT EVENTS**

The District did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2018.

**4.D. 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.

**4.E. 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.