

COMPILATION REPORT & FINANCIAL STATEMENTS

MCINTOSH COUNTY CONSERVATION DISTRICT
MCINTOSH COUNTY, OKLAHOMA

JUNE 30, 2018

KERSHAW CPA & ASSOCIATES, PC

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MCINTOSH COUNTY CONSERVATION DISTRICT
MCINTOSH COUNTY, OKLAHOMA
JUNE 30, 2018

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MCINTOSH COUNTY CONSERVATION DISTRICT
MCINTOSH COUNTY, OKLAHOMA
JUNE 30, 2018

BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>TERM</u>
Doug Howell	Chairman	6/30/10 - Present (Elected)
Thomas Shroyer	Vice Chairman	4/7/80 - Present (Appointed)
Paul Morris	Director	8/3/92 - Present (Elected)
Donald Parker	Director	8/8/15 - Present (Elected)
Sterling Atwood	Director	7/1/17 - Present (Appointed)

DISTRICT/NRCS EMPLOYEES

Laura Willmon	District Secretary II
Jacob Worley	District Conservationist

MEETING DATE

3rd Tuesday, 6:00 pm, Bi-Monthly

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ACCOUNTANT'S COMPILATION REPORT

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

Management is responsible for the accompanying financial statements of the McIntosh County Conservation District which comprise the statement of assets, liabilities and net position as of June 30, 2018 and the related statement of revenues and expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements in accordance with the modified cash basis of accounting. Management is responsible to determine that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. We 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. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy and completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We 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.

Kershaw CPA & Associates, P.C.
Kershaw CPA & Associates, PC

October 24, 2018

EXHIBIT A

MCINTOSH COUNTY CONSERVATION DISTRICT
MCINTOSH COUNTY, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2018

	Total 2018	Total (Memo Only) 2017
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash in Bank - Checking	\$ 537	\$ 1,961
Cash in Bank - Savings	-	-
	<hr/>	<hr/>
Total Current Assets	537	1,961
	<hr/>	<hr/>
TOTAL ASSETS	\$ 537	\$ 1,961
	<hr/>	<hr/>
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Payroll Taxes Payable	\$ -	\$ -
	<hr/>	<hr/>
Total Current Liabilities	-	-
	<hr/>	<hr/>
TOTAL LIABILITIES	-	-
	<hr/>	<hr/>
<u>NET POSITION</u>		
Net investment in capital assets	-	-
Restricted for debt service	-	-
Unrestricted	537	1,961
	<hr/>	<hr/>
TOTAL NET POSITION	537	1,961
	<hr/>	<hr/>
TOTAL LIABILITIES & NET POSITION	\$ 537	\$ 1,961
	<hr/>	<hr/>

No assurance is provided on these financial statements
See Accountant's Compilation Report & Notes Which Accompany These Financial Statements

EXHIBIT B

**MCINTOSH COUNTY CONSERVATION DISTRICT
MCINTOSH COUNTY, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
- MODIFIED CASH BASIS -
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Total June 30, 2018	Total (Memo Only) June 30, 2017
<u>Operating Revenues:</u>		
Oklahoma Conservation Commission	\$ 54,008	\$ 38,651
Miscellaneous Income	1,150	-
Total Operating Revenues	55,158	38,651
<u>Operating Expenses:</u>		
District Salaries & Related Costs	26,680	24,409
Directors' Meetings	-	-
Telephone	-	-
Dues & Subscriptions	800	400
Travel	-	-
Professional Fees	600	1,200
State Cost Share Program	27,689	12,716
Miscellaneous Expenses	734	213
Office Supplies & Postage	79	670
Insurance & Bonds	-	-
Total Operating Expenses	56,582	39,608
Operating Income (Loss)	(1,424)	(958)
<u>Non-Operating Revenues (Expenses):</u>		
Interest Income	-	-
Interest Expense	-	-
Total Non-operating Revenues (Expenses)	-	-
Net Income (Loss) Before Contributions	(1,424)	(958)
Capital Contributions	-	-
Change in Net Position	(1,424)	(958)
Total Net Position - Beginning	1,961	2,919
Total Net Position - Prior Year Adjustment	-	-
Total Net Position - Ending	\$ 537	\$ 1,961

No assurance is provided on these financial statements
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, 2018**

	<u>June 30, 2018</u>	<u>Memorandum Only June 30, 2017</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from OCC	\$ 54,008	\$ 38,651
Other Receipts	1,150	-
Payments to Suppliers for Goods & Services	(29,901)	(15,199)
Payments to Employees & Laborers	<u>(26,680)</u>	<u>(24,409)</u>
Net Cash Provided (Used) by Operating Activities	<u>(1,424)</u>	<u>(958)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Principal paid on Debt	-	-
Interest paid on Debt	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>-</u>	<u>-</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Income	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,424)	(958)
Cash & Cash Equivalents, Beginning of Year	1,961	2,919
Cash & Cash Equivalents, Prior Year Adjustment	<u>-</u>	<u>-</u>
Cash & Cash Equivalents, End of Year	<u><u>\$ 537</u></u>	<u><u>\$ 1,961</u></u>
<u>Reconciliation of operating income (loss) to net cash provided operating activities:</u>		
Operating Income (Loss)	\$ (1,424)	\$ (958)
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	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (1,424)</u></u>	<u><u>\$ (958)</u></u>

No assurance is provided on these financial statements
See Accountant's Compilation Report & Notes Which Accompany These Financial Statements

MCINTOSH COUNTY CONSERVATION DISTRICT
MCINTOSH COUNTY, OKLAHOMA
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, 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 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).

MCINTOSH COUNTY CONSERVATION DISTRICT
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

MCINTOSH COUNTY CONSERVATION DISTRICT
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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. Budgetary Data

The District does not prepare an annual budget.

E. 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. As of June 30, 2018, 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 position and displayed in three components:

MCINTOSH COUNTY CONSERVATION DISTRICT
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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

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

MCINTOSH COUNTY CONSERVATION DISTRICT
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, the District held deposits of approximately \$537 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.

MCINTOSH COUNTY CONSERVATION DISTRICT
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

- 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

The District does not record capital assets.

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, 2018:

	Balance at June 30, 2017	Additions	Deductions	Balance at June 30, 2018
Notes Payable	\$ -	\$ -	\$ -	\$ -
Total Long-Term Debt	\$ -	\$ -	\$ -	\$ -

MCINTOSH COUNTY CONSERVATION DISTRICT
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 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, 2018, the covered employees made contributions of \$785.81 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

MCINTOSH COUNTY CONSERVATION DISTRICT
MCINTOSH COUNTY, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
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employees amounted to \$22,450.74, 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 modified 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, 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 \$2,531.55.

NOTE 11 - SUBSEQUENT EVENTS

The District did not have any subsequent events through October 24, 2018, 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, 2018.

Conservation District	MCINTOSH COUNTY CONSERVATION DISTRICT	
Address	P.O. BOX 351, EUFAULA, OK 74432-0351	
<p align="center">FOR THE PERIOD JULY 1, 2017, TO JUNE 30, 2018 FOR FISCAL YEAR 2018</p>		
1. LIQUID ASSETS (Checking Account, Savings Account, Certificate of Deposit, Petty Cash, Etc.)		
		TOTAL \$ <u>537</u>
2. WORKING ASSETS		
Building	\$ <u>0</u>	
Equipment	\$ <u>0</u>	
Other (Seed, Etc.)	\$ <u>0</u>	
		TOTAL WORKING ASSETS \$ <u>0</u>
3. RECEIPTS (from Annual Audit)		
	\$ <u>55,158</u>	
4. DISBURSEMENTS		
	\$ <u>56,582</u>	
5. NET WORTH OF DISTRICT (Lines 1+2)		
		TOTAL \$ <u>537</u>

<p>I, _____, the undersigned hereby certify the above to be true and correct.</p> <p>Signature (Chair, Board of Directors) _____</p> <p>Subscribed and sworn to before me this _____ day of _____ 2018.</p> <p>Notary Public _____</p> <p>My Commission Expires _____</p>

DUE IN OCC OFFICE BY NOVEMBER 1 OF EACH YEAR