

**ANNUAL FINANCIAL REPORT OF THE  
PAYNE COUNTY CONSERVATION DISTRICT AND  
PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
PAYNE COUNTY, OKLAHOMA  
June 30, 2014**

\* \* \* \* \*

**Audited by  
Steven F. Cundiff, C.P.A., Inc.  
Stillwater, Oklahoma  
September 25, 2014**

**PAYNE COUNTY CONSERVATION DISTRICT AND  
PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
PAYNE COUNTY, OKLAHOMA  
YEAR ENDED JUNE 30, 2014**

**TABLE OF CONTENTS**

	<u>PAGE</u>
<b><u>I. Independent Auditor's Report</u></b>	1
<b><u>II. Basic Financial Statements:</u></b>	4
Government-wide Financial Statements:	5
1. Statement of Net Position	6
2. Statement of Activities	7
Fund Financial Statements:	8
3. Balance Sheet – Government Funds – General Fund	9
4. Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – General Fund	10
5. Statement of Net Assets – Proprietary Fund – Enterprise Fund	11
6. Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund – Enterprise Fund	12
7. Statement of Cash Flows - Proprietary Fund – Enterprise Fund	13
8. Statement of Fiduciary Net Position Fiduciary Funds – Expendable Trust Fund	14
9. Statement of Changes in Fiduciary Net Position Fiduciary Fund Type – Expendable Trust Fund	15
Notes to the Basic Financial Statements	16
<b><u>III. Required Supplemental Information:</u></b>	26
<b><u>Exhibit</u></b>	
1. Pension Plan Funding Progress	27
2. Budgetary Comparison Schedule – Government Fund – General Fund	28
<b><u>IV. Other Supplemental Information:</u></b>	29
<b><u>Schedule</u></b>	
1. Statement of Revenues, Expenditures, and Changes in Fund Balance – Fiduciary Fund Type – Expendable Trust Fund	30
2. Schedule of Expenditures of Federal Awards	31
<b><u>V. Reports Required by Government Auditing Standards:</u></b>	32
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	

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**Independent Auditor's Report**

To the Board of Directors  
Payne County Conservation District and  
The Payne County Conservation Foundation, Inc.  
Payne County, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Payne County Conservation District and Payne County Conservation Foundation, Inc., as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District and Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District and Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, of the Payne County Conservation District and Payne County Conservation Foundation, Inc., as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require the Pension Plan Funding Progress – Exhibit 1 and the Budget Comparison Schedule – Exhibit 2 on pages 27 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, because it was outside the scope of our engagement. We do not express an opinion or any assurance on the information.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District and Foundation's basic financial statements. The Statement of Revenues, Expenditures, and Changes in Net Position and the Schedule of Expenditures of Federal Awards on pages 30 and 31 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These statements included on pages 30 and 31, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial statements included on pages 30 and 31 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



### Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of Payne County Conservation District and Payne County Conservation Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

September 25, 2014

A handwritten signature in black ink that reads "Steven F. Cundiff". The signature is written in a cursive style with a large, stylized "S" and "C".

Steven F. Cundiff, CPA, Inc.

## **Basic Financial Statements**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**PAYNE COUNTY CONSERVATION DISTRICT AND  
PAYNE COUNTY CONSERVATION FOUNDATION, INC  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

**Statement 1**

	Government Activities	Business-Type Activities	Totals
<b>Assets</b>			
Current assets			
Cash and cash equivalents (notes 4, 5 and 6)	\$ 19,988.15	\$ 15,321.37	\$ 35,309.52
Investments: bank certificate of deposit (note 4, 5 and 6)	-	-	\$ -
Interest receivable	-	-	-
Receivables from other governments (note 7)	5,110.20	-	5,110.20
Rental income receivable	-	-	-
Prepaid income taxes	-	2,560.00	2,560.00
Due from other funds (note 8)	1,524.36	-	1,524.36
Inventories (note 9)	54.37	-	54.37
Total current assets	<u>26,677.08</u>	<u>17,881.37</u>	<u>44,558.45</u>
Noncurrent assets			
Capital assets:			
Capital assets net of accumulated depreciation (note 11)	-	373,472.46	373,472.46
Total noncurrent assets	<u>-</u>	<u>373,472.46</u>	<u>373,472.46</u>
Total assets	<u>26,677.08</u>	<u>391,353.83</u>	<u>418,030.91</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	-	3,000.00	3,000.00
Other payables	1,120.75	833.79	1,954.54
Federal and state income tax payable	-	-	-
Current portion of accrued compensated absences	4,107.92	-	4,107.92
Due to other funds (note 8)	-	4,874.86	4,874.86
Current portion of long term debt	-	35,000.00	35,000.00
<b>Deferred inflows of resources</b>			
Deferred inflow of resources (note 12)	-	-	-
Total current liabilities	<u>5,228.67</u>	<u>43,708.65</u>	<u>48,937.32</u>
Noncurrent liabilities			
Mortgages payable (note 13)	-	251,777.39	251,777.39
Total noncurrent liabilities	<u>-</u>	<u>251,777.39</u>	<u>251,777.39</u>
Total liabilities	<u>5,228.67</u>	<u>295,486.04</u>	<u>300,714.71</u>
<b>Net positions</b>			
Net invested in capital assets	-	86,695.07	86,695.07
Unrestricted	21,448.41	9,172.72	30,621.13
Sub-total	<u>21,448.41</u>	<u>95,867.79</u>	<u>117,316.20</u>
Total net position	<u>\$ 21,448.41</u>	<u>\$ 95,867.79</u>	<u>\$ 117,316.20</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**PAYNE COUNTY CONSERVATION DISTRICT AND  
PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2014**

Functions/programs	Statement 2						
					Net (Expenses) Revenue and Changes in Net Assets		
	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contracts	Capital Grants and Contracts	Governmental Activities	Business-type Activities	Totals
Governmental activities							
Conservation program	\$ 69,500.48	\$ -	\$ 51,829.94	\$ -	\$ (17,670.54)	\$ -	\$ (17,670.54)
Equipment rental income	-	300.00	-	-	300.00	-	300.00
Conservation maps and plot books	1,250.42	2,130.00	-	-	879.58	-	879.58
Other outlays	300.00	-	-	-	(300.00)	-	(300.00)
Total government activities	<u>71,050.90</u>	<u>2,430.00</u>	<u>51,829.94</u>	<u>-</u>	<u>(16,790.96)</u>	<u>-</u>	<u>(16,790.96)</u>
Business-type activities							
Office building rental	113,551.87	119,863.36	-	-	-	6,311.49	6,311.49
Other conservation activities	-	-	-	-	-	-	-
Total business-type activities	<u>113,551.87</u>	<u>119,863.36</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,311.49</u>	<u>6,311.49</u>
Totals	<u>\$ 184,602.77</u>	<u>\$ 122,293.36</u>	<u>\$ 51,829.94</u>	<u>\$ -</u>	<u>\$ (16,790.96)</u>	<u>\$ 6,311.49</u>	<u>\$ (10,479.47)</u>
General revenues							
Miscellaneous					20,405.04	50.00	20,455.04
Investment earnings					14.36	20.59	34.95
Total general revenue					<u>20,419.40</u>	<u>70.59</u>	<u>20,489.99</u>
Change in net position					3,628.44	6,382.08	10,010.52
Net position: unrestricted, beginning of year					<u>17,819.97</u>	<u>89,485.71</u>	<u>107,305.68</u>
Net position: unrestricted, end of year					<u>\$ 21,448.41</u>	<u>\$ 95,867.79</u>	<u>\$ 117,316.20</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

## **FUND FINANCIAL STATEMENTS**



**PAYNE COUNTY CONSERVATION DISTRICT AND  
THE PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
BALANCE SHEET  
GOVERNMENTAL FUNDS - GENERAL FUND  
JUNE 30, 2014**

**Statement 3**

**ASSETS**

Cash and cash equivalents (notes 4, 5 and 6)	\$ 19,988.15
Receivable from Oklahoma Conservation Commission (note 7)	5,110.20
Due from other funds (note 9)	1,524.36
Inventory (note 8)	54.37
	<hr/>
Total assets	\$ 26,677.08

**LIABILITIES**

Accounts payable	\$ -
Payroll and sales taxes payable	1,120.75
Current portion of accrued compensated absences (note 14)	4,107.92

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources (note 12)	-
	<hr/>
Total liabilities	5,228.67

**FUND BALANCE**

Unassigned in General fund	21,448.41
Total fund balance	21,448.41

Reconciliation of the changes in fund balance: total governmental fund balance to the net position of governmental activities:

Amounts reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is	\$ 11,107.23
The accumulated depreciation is	(11,107.23)
Net effect for reconciliation	<hr/>
	-
Net position of governmental activities	\$ 21,448.41

The accompanying notes to the basic financial statements are an integral part of this statement

PAYNE COUNTY CONSERVATION DISTRICT AND  
THE PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
GOVERNMENTAL FUNDS - GENERAL FUND  
YEAR ENDED JUNE 30, 2014

**Statement 4**

	Governmental Fund Types General Fund
<b>Revenues</b>	
Oklahoma Conservation Commission	\$ 44,173.34
USDA Natural Resources Conservation Service	7,656.60
Advertising sales	500.00
Map and plot book sales	1,630.00
Equipment rental income	300.00
Interest income	14.36
Miscellaneous reimbursements	20,405.04
Total revenues	<u>74,679.34</u>
<b>Expenditures</b>	
Conservation program	69,500.48
Cost of map and plot books sold	1,069.65
Sales tax expense on map and book sales	180.77
Total expenditures	<u>70,750.90</u>
Excess of revenue over (under) expenditures	<u>3,928.44</u>
Other financing sources (uses)	
Operating transfers in	-
Operating transfers out	-
Excess of revenues and other sources (uses) over (under) expenditures and other uses	<u>3,928.44</u>
Fund balance: unassigned - beginning of year	<u>13,015.29</u>
Fund balance: unassigned - end of year	<u><u>\$ 16,943.73</u></u>
Reconciliation of the changes in fund balance: total governmental funds to the change in net position of governmental activities:	
Net change in fund balances: total governmental funds	\$ 3,928.44
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	\$ -
Depreciation expense	(300.00)
Governmental funds do not report change in noncurrent liabilities as expenditures, while government activities report the change as an expense of the current period:	
Change in noncurrent lease purchase payable	<u>-</u>
Net effect for reconciliation	<u>(300.00)</u>
Change in net position of governmental activities	<u><u>\$ 3,628.44</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement

**PAYNE COUNTY CONSERVATION DISTRICT AND  
THE PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
STATEMENT OF NET POSITION  
PROPRIETARY FUND - ENTERPRISE FUND  
JUNE 30, 2014**

**Statement 5**

	Total Proprietary Funds
	Enterprise Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents (notes 4, 5 and 6)	\$ 15,321.37
Investments: bank certificate of deposit (notes 4, 5 and 6)	-
Rent receivable	-
Accrued interest receivable	-
Prepaid Federal income tax	2,560.00
Total current assets	<u>17,881.37</u>
Noncurrent assets:	
Land (note 10)	80,000.00
Building and improvements (note 11)	606,684.61
Accumulated depreciation (note 11)	(313,212.15)
Total noncurrent assets	<u>373,472.46</u>
Total assets	<u><u>\$ 391,353.83</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 3,000.00
Federal and state income tax payable	-
Accrued interest payable	833.79
Due to other funds (note 9)	4,874.86
Current portion of long-term debt	35,000.00
Total current liabilities	<u>43,708.65</u>
Noncurrent liabilities:	
Mortgage payable (note 13)	251,777.39
Total noncurrent liabilities	<u>251,777.39</u>
Total liabilities	<u>295,486.04</u>
<b>NET POSITION</b>	
Net invested in capital assets	86,695.07
Unrestricted	9,172.72
Total net position	<u>95,867.79</u>
Total liabilities and net position	<u><u>\$ 391,353.83</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement



**PAYNE COUNTY CONSERVATION DISTRICT AND  
THE PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND - ENTERPRISE FUND  
YEAR ENDED JUNE 30, 2014**

**Statement 6**

	<u>Proprietary</u> <u>Fund Type</u> <u>Enterprise Fund</u>
<b>Operating revenue</b>	
Rental income	\$ 119,863.36
Reimbursements	50.00
Total operating revenues	<u>119,913.36</u>
<b>Operating expenses</b>	
Insurance expense	5,345.00
Repairs and maintenance	24,689.08
Mowing expense	1,908.96
Supplies expense	2,526.48
Janitorial expense	13,200.00
Waste disposal expense	600.76
Utilities expense	11,033.51
Miscellaneous expense	1,500.00
Professional expense	1,350.00
Management fees	11,535.36
Bank fees and charges	-
Federal income tax expense	1,458.00
State income tax expense	462.00
Depreciation expense	19,571.00
Total operating expense	<u>95,180.15</u>
Net operating income	24,733.21
<b>Nonoperating revenue (expense)</b>	
Investment income	20.59
Interest expense	(18,371.72)
Total nonoperating revenue (expense)	<u>(18,351.13)</u>
Net income	6,382.08
Net position - beginning of year	<u>89,485.71</u>
Net position - end of year	<u><u>\$ 95,867.79</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement

**PAYNE COUNTY CONSERVATION DISTRICT AND  
THE PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - ENTERPRISE FUND  
YEAR ENDED JUNE 30, 2014**

**Statement 7**

Proprietary  
Fund Type  
Enterprise Fund

**Cash flows from operating activities:**

Receipts from renters	\$ 119,863.36
Receipts from reimbursements	50.00
Payments to suppliers	(75,529.87)
Payments for Federal and state taxes	(6,205.00)
Net cash provided (used) by operating activities	<u>38,178.49</u>

**Cash flows from capital and related financing activities:**

Proceeds from sale of assets	-
Purchase of capital assets	-
Loan proceeds from other funds	-
Borrowed additional funds on mortgage payable	-
Payments on mortgage payable	(33,454.93)
Net cash provided (used) by capital and related financing activities	<u>(33,454.93)</u>

**Cash flows from investing activities:**

Interest income received	51.04
Investments liquidated: bank certificate of deposit	12,191.10
Interest expense paid	(18,468.77)
Net cash provided (used) from financing activities	<u>(6,226.63)</u>

Net increase (decrease) in cash and cash equivalents (1,503.07)

Cash and cash equivalents at beginning of year 16,824.44

Cash and cash equivalents at end of year \$ 15,321.37

**Reconciliation of operating income (loss) to net cash provided (used)  
by operating activities**

Cash flows from operating activities:

Operating income (loss) from office building rental	\$ 24,733.21
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	19,571.00
Change in assets and liabilities:	
Receivables (increase) decrease	-
Prepaid expenses (increase) decrease	(2,560.00)
Accounts payable increase (decrease)	(4,565.72)
Current portion of long-term debt increase (decrease)	1,000.00

Net cash provided (used) by operating activities \$ 38,178.49

The accompanying notes to the basic financial statements are an integral part of this statement

**PAYNE COUNTY CONSERVATION DISTRICT AND  
THE PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS - EXPENDABLE TRUST FUND  
JUNE 30, 2014**

	<b>Statement 8</b>
	<u>Fiduciary Fund Type</u>
	<u>Trust and Agency Expendable Trust Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents (notes 4, 5 and 6)	\$ 10,006.41
Due from other funds (note 9)	<u>3,350.50</u>
Total assets	<u><u>13,356.91</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
<b>NET POSITION</b>	
Unrestricted	-
Temporarily restricted for conservation programs	<u>13,356.91</u>
Total net position	<u><u>13,356.91</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement



**PAYNE COUNTY CONSERVATION DISTRICT AND  
PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND - EXPENDABLE TRUST FUND  
JUNE 30, 2014**

**Statement 9**

	Balance June 30, 2013	Changes	Changes	Balance June 30, 2014
<b>ASSETS</b>				
Cash	\$ 8,792.23	\$ 1,214.18	\$ -	\$ 10,006.41
Due from other funds	3,350.50	-	-	3,350.50
Total assets	<u>\$ 12,142.73</u>	<u>\$ 1,214.18</u>	<u>\$ -</u>	<u>\$ 13,356.91</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
<b>NET POSITION</b>				
Temporarily restricted for conservation	12,142.73	-	1,214.18	13,356.91
Total net position	<u>\$ 12,142.73</u>	<u>\$ -</u>	<u>\$ 1,214.18</u>	<u>\$ 13,356.91</u>

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**PAYNE COUNTY CONSERVATION DISTRICT AND  
PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
PAYNE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1: GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Nature of Reporting Entity**

The Payne County Conservation District was incorporated on May 14, 1941. The District was subsequently legislated and became a political subdivision of the State of Oklahoma, under the enabling legislation Title 82, Oklahoma Statutes, Sections 1501-101 through 1501-808 (1981) under the Conservation District Act. The basic operations of the District are financed through donations and financial assistance provided by the State of Oklahoma through the Oklahoma Conservation Commission. The District also operates an expendable trust fund known as the Payne County Conservation District Foundation, Inc. (Foundation). The District's operations provide training and educational service for conservation measures. The District's Foundation owns and operates an office building and provides grant assistance for conservation education. The governing body of the District is the Board of Directors composed of five elected members.

In evaluating how to define the district, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility included, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operation, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

**B. Basis of Presentation**

**Government-wide Financial Statements:**

The Statements of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.



**PAYNE COUNTY CONSERVATION DISTRICT AND  
PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
PAYNE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (continued)**

**Fund Financial Statements:**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. 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 Authority 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.

**Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The District does not present an account group.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types."

**Governmental Fund Types**

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).



**PAYNE COUNTY CONSERVATION DISTRICT AND  
PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
PAYNE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)**

**Basis of Presentation (continued)**

General Fund - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund.

**Proprietary Fund Types**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District does not maintain an internal service fund.

Enterprise Fund - The Enterprise Fund is used to account for the operations of a commercial rental office building.

**Fiduciary Fund Types (not included in government-wide Statements)**

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Expendable Trust Fund - The Expendable Trust Fund is the District's Foundation which is used to account for monies collected principally through fund raising efforts of the membership and District-sponsored groups. The District's Board is responsible for collecting, disbursing and accounting for these Foundation Funds.

**C. Measurement Focus and Basis of Accounting**

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

**PAYNE COUNTY CONSERVATION DISTRICT AND  
PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
PAYNE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus (continued)**

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources at the end of the period.
- b. 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) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for note principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**Note 2: BUDGETS AND BUDGETARY ACCOUNTING**

The board does adopt a budget for the general fund for each fiscal year.



**PAYNE COUNTY CONSERVATION DISTRICT AND  
PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
PAYNE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 3: INCOME TAXES**

The Payne County Conservation District is a political subdivision of the State of Oklahoma and therefore is exempt from federal and state income taxes.

The Payne County Conservation Foundation, Inc. is a public organization qualifying as tax exempt under 501 (c) (3). As a result, the Foundation is exempt from federal and state income taxes. However, income taxes will be paid on any unrelated business income. The Organization files information tax return Form 990 and tax return Form 990T for the unrelated business income on the office building rental activity. The tax years that remain subject to examination by tax jurisdictions are June 30, 2011, 2012, and 2013.

**Note 4: CASH AND CASH EQUIVALENTS**

The District considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

**Note 5: INVESTMENTS**

The District had no investments as of year end.

**Note 6: CASH AND INVESTMENTS**

Deposits and Investments - The District's cash deposits and investments at June 30, 2014 were completely insured or collateralized by federal deposit insurance.

**Note 7: ACCOUNTS RECEIVABLE**

Accounts receivable represent claims for reimbursements from the Oklahoma Conservation Commission in the amount of \$3,110.20 and the USDA in the amount of \$2,000.00 that have not been received as of June 30, 2014.

**Note 8: INTERFUND RECEIVABLES AND PAYABLES**

	Enterprise Fund	General Fund	Expendable Trust Fund	Total
Due from Enterprise Fund	\$ 0.00	\$ 1,524.36	\$ 3,350.50	\$ 4,874.86
Due to General Fund	(1,524.36)	0.00	0.00	(1,524.36)
Due to Expendable Trust Fund	(3,350.50)	0.00	0.00	(3,350.50)
Total	<u>\$ (4,874.86)</u>	<u>\$ 1,524.36</u>	<u>\$ 3,350.50</u>	<u>\$ 0.00</u>

**PAYNE COUNTY CONSERVATION DISTRICT AND  
PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
PAYNE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 9: INVENTORIES**

Inventories are recorded at the lower of cost or market. Inventory consisted of conservation maps and plat books held for resale.

**Note 10: FIXED ASSETS: LAND**

During 1997, the Payne County Conservation Foundation received a contribution of five acres of land south of Stillwater, Oklahoma. The land was appraised at \$80,000.00 and was recorded as revenue in the expendable trust fund. During 1998 the land was transferred into the enterprise fund and an office building was constructed on the land.

**Note 11: FIXED ASSETS AND DEPRECIATION**

Governmental Activities:

The Oklahoma Conservation Commission holds title to all assets purchased using state monies. During prior years, the General Fund purchased a John Deere mower and a commercial sprayer.

	<u>Beginning Assets</u>	<u>Additions</u>	<u>Ending Assets</u>	<u>Accumulated Depreciation</u>
Equipment	\$ 11,107.23	\$ 0.00	\$ 11,107.23	\$ 11,107.23

The equipment is being depreciated over a six year life utilizing the straight line method. The current year depreciation was \$ 300.00.

Business-type activities:

The enterprise fund has constructed an office building and placed it in service August 15, 1997. Real estate and improvements are pledged as collateral on the note to Bancfirst of Stillwater. The enterprise fund (Foundation rental activity) had the following classes of assets:

	<u>Beginning Assets</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Assets</u>
Land	\$ 80,000.00	\$ 0.00	\$ 0.00	\$ 80,000.00
Site improvements	33,065.00	0.00	0.00	33,065.00
Office building	500,969.35	0.00	0.00	500,969.35
Storage building	19,807.73	0.00	0.00	19,807.73
Fences & equipment	12,050.75	0.00	0.00	12,050.75
Parking lot	40,791.78	0.00	0.00	40,791.78
Total	<u>\$ 686,684.61</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 686,684.61</u>



**PAYNE COUNTY CONSERVATION DISTRICT AND  
PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
PAYNE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**FIXED ASSETS AND DEPRECIATION (CONTINUED)**

	Beginning Accumulated Depreciation	Additions	Deletions	Ending Accumulated Depreciation
Office building	\$ 248,592.00	\$ 16,699.00	\$ 0.00	\$ 265,291.00
Storage building	10,506.00	660.00	0.00	11,166.00
Fences & equipment	11,621.00	172.00	0.00	11,793.00
Parking lot	23,176.00	2,040.00	0.00	25,216.00
Total	<u>\$ 293,895.00</u>	<u>\$ 19,571.00</u>	<u>\$ 0.00</u>	<u>\$ 313,466.00</u>

The enterprise fund capitalizes all assets purchased in excess of \$1,000. The depreciation method utilized the straight line method with lives on the buildings of 30 years, parking lot of 20 years, fences of 7 years, equipment of 5 years, and computers of 5 years. The current year depreciation was \$19,571.00.

**Note 12: DEFERRED INFLOWS OF RESOURCES**

On June 28, 2013, the Payne County Conservation District received a pass through grant from the Oklahoma Conservation Commission in the amount of \$26,000. It was designated for the Prescribe Burn Association for the purchase of radios. On October 10, 2013, 64 radios were purchased and delivered to the Prescribe Burn Association. An administrative fee of \$500 was retained by the District and reported as income in the current year.

**Note 13: MORTGAGE PAYABLE: ENTERPRISE FUND**

Business type activities:

June 20, 2002, the Payne County Conservation Foundation, Inc. refinanced their real estate loan from a commercial bank. On July 8, 2002 an additional principal advance was made for \$34,000.00 on the note for the construction of a parking lot. The terms of the mortgage are as follows:

Original loan amount, July 8, 2002	\$ 508,313.65
Monthly installment	\$ 3,559.46
Interest rate	6.0% variable
First payment due	July 20, 2002
Loan is amortized over 20 years	

**PAYNE COUNTY CONSERVATION DISTRICT AND  
PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
PAYNE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**MORTGAGE PAYABLE: ENTERPRISE FUND (CONTINUED)**

The annual debt service requirements for principal and interest are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	27,383.09	15,330.43	42,713.52
2016	29,072.02	13,641.50	42,713.52
2017	30,865.12	11,848.40	42,713.52
2018	32,768.81	9,944.71	42,713.52
2019	34,789.92	7,923.60	42,713.52
2020	36,935.69	5,777.83	42,713.52
2021	39,213.80	3,499.72	42,713.52
2022	36,893.64	1,086.96	37,980.60
Total	<u>\$ 267,922.09</u>	<u>\$ 69,053.15</u>	<u>\$ 336,975.24</u>

Real estate is pledged as collateral for this note.

August 11, 2011, the Payne County Conservation Foundation, Inc. secured a second mortgage on the office building complex from a commercial bank. On August 11, 2011, the principal advance was made for \$35,000.00 on the note for the remodeling of one of the building suites for a new tenant. The terms of the mortgage are as follows:

Original loan amount, August 11, 2011	\$ 35,431.43
Monthly installment	\$ 684.97
Interest rate	6.0% variable
First payment due	September 27, 2011
Loan is amortized over 5 years	

The annual debt service requirements for principal and interest are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	7,422.99	796.65	8,219.64
2016	7,880.83	338.81	8,219.64
2017	1,339.10	10.00	1,349.10
Total	<u>\$ 16,642.92</u>	<u>\$ 1,145.46</u>	<u>\$ 17,788.38</u>

Real estate is pledged as collateral for this note.



**PAYNE COUNTY CONSERVATION DISTRICT AND  
PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
PAYNE COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**MORTGAGE PAYABLE: ENTERPRISE FUND (CONTINUED)**

Long-term Debt Summary:

	Balance <u>6-30-13</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>6-30-14</u>	Current due <u>within one year</u>	Long-term <u>portion</u>
Mortgage Payable						
Bancfirst	\$ 295,584.81	\$ 0.00	\$ 27,662.72	\$ 267,922.09	\$ 27,500.00	\$ 240,422.09
Mortgage Payable						
Bancfirst	<u>23,647.51</u>	<u>0.00</u>	<u>7,004.59</u>	<u>16,642.92</u>	<u>7,500.00</u>	<u>9,142.92</u>
Total	<u>\$ 319,232.32</u>	<u>\$ 0.00</u>	<u>\$ 34,667.31</u>	<u>\$ 284,565.01</u>	<u>\$ 35,000.00</u>	<u>\$ 249,565.01</u>

**Note 13: COMPENSATED ABSENCES**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources.

**Note 14: NET POSITION**

Fund balances have been presented noting the amount of undesignated for the general fund and designated for the expendable trust - Foundation and the enterprise fund. The foundation fund administers a conservation education project and a commercial rental office building.

**Note 15: USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 16: PENSION PLAN**

The organization participates in the Oklahoma Public Employees Retirement System. All eligible employees contribute 3.5% of gross wages. The Oklahoma Conservation Commission contributes 14.5% of gross wages on reimbursable salaries for all eligible participants. For the Schedule of Funding Progress (dollars in millions) (unaudited), see Exhibit 1.

**Note 17: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 25, 2014, which is the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**PAYNE COUNTY CONSERVATION DISTRICT AND  
THE PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
PENSION PLAN FUNDING PROGRESS  
YEAR ENDED JUNE 30, 2014  
UNAUDITED**

**Exhibit 1**

**Schedule of Funding Progress (dollars in millions) (unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Actuarial Accrued Liability (UAAL) (b-a)	Funder Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll (a-b)/(c)
June 30, 2004	5,412.2	7,114.8	1,702.6	76.1%	1,383.9	123.0%
June 30, 2005	5,450.7	7,575.4	2,124.7	72.0%	1,454.2	146.1%
June 30, 2006	5,654.3	7,914.7	2,260.4	71.4%	1,568.4	144.1%
June 30, 2007	6,110.2	8,413.2	2,303.0	72.6%	1,626.7	141.6%
June 30, 2008	6,491.9	8,894.3	2,402.4	73.0%	1,682.7	142.8%
June 30, 2009	6,208.2	9,291.4	3,083.2	66.8%	1,733.0	177.9%
June 30, 2010	6,348.4	9,622.6	3,274.2	66.0%	1,683.7	194.5%
June 30, 2011	6,598.6	8,179.8	1,581.1	80.7%	1,570.5	100.7%
June 30, 2012	6,682.2	8,334.6	1,652.4	80.2%	1,633.8	101.1%
June 30, 2013	6,978.9	8,556.1	1,577.2	81.6%	1,695.3	93.0%

The District participates in the state-administered Oklahoma Public Employees Retirement System (the "System"), which is a cost sharing, multiple-employer public employee retirement system. Under the system, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all eligible employees. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a Board of Trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

**PAYNE COUNTY CONSERVATION DISTRICT AND  
THE PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND  
YEAR ENDED JUNE 30, 2014  
UNAUDITED**

**Exhibit 2**

	General Fund			Variance
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues				
Oklahoma Conservation Commission	\$ 43,204.30	\$ 43,204.30	\$ 44,173.34	\$ 969.04
USDA Natural Resources Conservation Service	-	-	7,656.60	7,656.60
Map and plot book sales	-	-	1,630.00	1,630.00
Advertising sales	-	-	500.00	500.00
Equipment rental income	-	-	300.00	300.00
Interest income	-	-	14.36	14.36
Miscellaneous reimbursements	-	-	20,405.04	20,405.04
Total revenues	<u>43,204.30</u>	<u>43,204.30</u>	<u>74,679.34</u>	<u>31,475.04</u>
Expenditures				
Conservation program	43,204.30	43,204.30	69,500.48	(26,296.18)
Maps and plot book program	-	-	1,069.65	(1,069.65)
Sales tax expense on map and plot book sales	-	-	180.77	(180.77)
Total expenditures	<u>43,204.30</u>	<u>43,204.30</u>	<u>70,750.90</u>	<u>(27,546.60)</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>3,928.44</u>	<u>3,928.44</u>
Other financing sources (uses) :				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Excess of revenues and other sources (uses) over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>3,928.44</u>	<u>3,928.44</u>
Fund balance: unassigned - beginning of year	<u>13,015.29</u>	<u>13,015.29</u>	<u>13,015.29</u>	<u>-</u>
Fund balance: unassigned - end of year	<u>\$ 13,015.29</u>	<u>\$ 13,015.29</u>	<u>\$ 16,943.73</u>	<u>\$ 3,928.44</u>

Note: The budget to actual General Fund presentation has been prepared using the GAAP basis of accounting

## **OTHER SUPPLEMENTARY INFORMATION**



**PAYNE COUNTY CONSERVATION DISTRICT AND  
PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
NET POSITION - FIDUCIARY FUND - EXPENDABLE TRUST FUND  
JUNE 30, 2014**

**Schedule 1**

Revenues	
Contributions and reimbursements	\$ 1,200.00
Interest income	<u>14.18</u>
Total revenues	<u>1,214.18</u>
Expenditures	
Conservation education projects	<u>-</u>
Total expenditures	<u>-</u>
Excess of revenue over (under) expenditures	<u>1,214.18</u>
Other financing sources (uses) :	
Operating transfers in	-
Operating transfers out	<u>-</u>
Excess of revenue and other sources (uses) over (under) expenditures and other uses	1,214.18
Net Position: temporarily restricted - beginning of year	<u>12,142.73</u>
Net Position: temporarily restricted - end of year	<u><u>\$ 13,356.91</u></u>



PAYNE COUNTY CONSERVATION DISTRICT AND  
PAYNE COUNTY CONSERVATION FOUNDATION, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2014

Description	CFDA #	Grant Award	Grant Receivable 6/30/2013	Receipts	Expenditures	Grant Receivable JUNE 30, 2014
US Depart of Agriculture Natural Resources Conservation Services						
Soil Conservation and Domestic Allotment Act, Public Law 74-76, Stat, 16 USC 590 a-f Federal grant #68-7335-12-36	10.902	8,000.00	2,049.70	8,049.70	8,000.00	2,000.00
Total Federal Awards		<u>\$ 8,000.00</u>	<u>\$ 2,049.70</u>	<u>\$ 8,049.70</u>	<u>\$ 8,000.00</u>	<u>\$ 2,000.00</u>

Note A: This schedule was prepared on the GAAP basis of accounting consistent with the preparation of the combined financial statements

**Steven F. Cundiff**

*Certified Public Accountant, Inc.*

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(405) 372-4822 FAX (405) 372-4828

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF COMBINED  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors

Payne County Conservation District and the Payne County Conservation Foundation, Inc.  
Payne County, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Payne County Conservation District and the Payne County Conservation Foundation, Inc. as listed in the Table of Contents, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Payne County Conservation District and the Payne County Conservation Foundation, Inc.'s basic financial statements, and have issued our report thereon dated September 25, 2014. We have included and explanatory paragraph in our report that stated management had not presented the Management's Discussion and Analysis to supplement the financial statements.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Payne County Conservation District and the Payne County Conservation Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Payne County Conservation District and the Payne County Conservation Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Payne County Conservation District and the Payne County Conservation Foundation, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

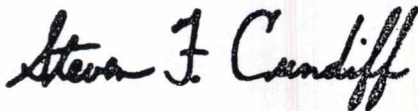
#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Payne County Conservation District and the Payne County Conservation Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of it compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance, or other matters, that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 25, 2014

A handwritten signature in black ink that reads "Steven F. Cundiff". The signature is written in a cursive style with a large, stylized 'S' and 'C'.

Steven F. Cundiff, CPA, Inc.