

DEER CREEK CONSERVATION DISTRICT

NO. 68

**FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANT'S
COMPILATION REPORT**

Year Ended June 30, 2014

**DEER CREEK CONSERVATION DISTRICT NO. 68
CUSTER COUNTY, OKLAHOMA**

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Board of Directors
Deer Creek Conservation District No. 68
Weatherford, OK 73096

We have compiled the accompanying cash basis financial statements of the governmental activities of Deer Creek Conservation District No. 68, Weatherford, Oklahoma, as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements as listed in the index. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting.

The management of the Deer Creek Conservation District No. 68, Weatherford, Oklahoma, is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the management of the Deer Creek Conservation District No. 68, Weatherford, Oklahoma, in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL, & MILLER
Certified Public Accountants

Weatherford, OK 73096
September 25, 2014

Deer Creek Conservation District No. 68
Statement of Net Assets - Modified Cash Basis
As of June 30, 2014

Assets

Current Assets:

Petty Cash	\$ 0.00
Cash in Bank - First National Bank of Weatherford	34,394.96
Cash in Bank - Bank of Western OK of Weatherford	32,043.44

Total Cash	66,438.40
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Certificate of Deposit -- First National Bank of Thomas	7,500.00
Certificate of Deposit -- Southwest National Bank of Weatherford	7,000.00
Certificate of Deposit -- Bank of the West of Thomas	7,000.00
Certificate of Deposit -- Bancfirst of Weatherford	7,500.00
Certificate of Deposit -- Bank of Western OK of Weatherford	7,000.00
Certificate of Deposit -- Bank of Hydro	7,000.00
Certificate of Deposit -- Mid First	7,000.00

Total Certificate of Deposits	50,000.00
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Total Current Assets	116,438.40
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Non - Current Assets:

Fixed Assets:

Land	25,807.65
Building	74,794.00
Equipment	132,039.60
Accumulated Depreciation	(143,731.50)
Fixed Assets	88,909.75

Total Assets	\$ 205,348.15
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Liabilities and Net Assets

Net Assets

Invested in Capital Assets, Net of Related Debt	\$ 88,909.75
Unrestricted	116,438.40

Total Net Assets	205,348.15
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Total Liabilities and Net Assets	\$ 205,348.15
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Deer Creek Conservation District No. 68
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Modified Cash Basis
For the Year Ended June 30, 2014

Operating Revenues:

Oklahoma Conservation Commission Reimbursements:	\$ 68,659.85
Other Revenues:	
Equipment Rental	18,084.76
Storage Rental	15,950.67
Grass Seed Sales	11,579.28
Sales Tax	168.89
Meeting Income	230.00
Vegetable Seed Sales	2,024.05
Other	400.00
Total Operating Revenues	<u>117,097.50</u>

Operating Expenses:

Grass Seed	10,289.63
Vegetable Seed	1,716.04
Salaries	64,293.14
Retirement	1,274.63
Payroll Taxes	5,343.88
Postage and Supplies	1,919.02
Advertising	625.32
Telephone	715.61
Utilities	3,179.95
Per Deim	1,400.00
Meeting Expense	3,975.79
Miscellaneous	300.21
Sales Tax	169.17
Info and Educ. Supplies	1,951.30
Building Repairs	1,247.74
Equipment Repairs	1,881.14
Mini Storage Refunds	186.00
Watershed Project	-
Service Charge	60.00
Insurance	2,860.00
OACD	-
Dues	1,113.76
Audit	1,050.00
Depreciation	13,275.00
Total Operating Expenses	<u>118,827.33</u>
Operating Income (Loss)	(1,729.83)

Deer Creek Conservation District No. 68
Statement of Revenues, Expenses & Changes in Fund Net Assets-Modified Cash Basis (Continued)
For the Year Ended June 30, 2014

Operating Income (Loss)	\$ (1,729.83)
Non-Operating Income:	
Interest Income -- Certificates of Deposit	326.65
Interest Income -- Savings and Checking Accounts	30.09
Gain on Sale of Assets	6,110.00
Total Non-Operating Income	<u>6,466.74</u>
Change in Net Assets	4,736.91
Total Net Assets, Beginning	200,611.24
Prior Period Adjustment	<u>-</u>
Total Net Assets, Ending	<u><u>\$ 205,348.15</u></u>

Deer Creek Conservation District No. 68
Statement of Cash Flows - Modified Cash Basis
For the Period Ending June 30, 2014

Cash Flows From Operating Activities:	
Cash Received From Interest	\$ 356.74
Cash Received From Other Receipts	48,437.65
Cash Received From State	68,659.85
Cash Paid for Operations	<u>(105,552.33)</u>
Net Cash Provided From Operating Activities	<u>11,901.91</u>
Cash Flows From Investing Activities:	
Cash Paid For:	
Investments	0.00
Purchase of Fixed Assets	(12,872.65)
Cash Received From:	
Investments	7,000.00
Sale of Assets	<u>6,110.00</u>
Net Cash Flows From Investing Activities	<u>237.35</u>
Net Increase (Decrease) in Cash	12,139.26
Cash at Beginning of Year	<u>54,299.14</u>
Cash at End of Year	<u>\$ 66,438.40</u>
Reconciliation of Net Income to Net Cash Provided From Operating Activities	
Net Income	\$ 4,736.91
Gain on Sale of Assets	(6,110.00)
Depreciation and Amortization	<u>13,275.00</u>
Net Cash Provided From Operating Activities	<u>\$ 11,901.91</u>

See accompanying notes to the financial statements and Independent Accountant's Compilation Report.

DEER CREEK CONSERVATION DISTRICT NO. 68
Notes to Financial Statements
Year Ended June 30, 2014

A. Summary of Significant Accounting Policies

Reporting Entity - The Deer Creek Conservation District is a special district of the State of Oklahoma as defined by the National Council on Governmental accounting. The District was created to implement soil conservation measures in portions of both Custer and Washita County, State of Oklahoma, and financed by user charges and state governmental grants. The District is not subject to federal or state income taxes.

The accompanying basic financial statements include all District Functions and activities over which the District Board exercises significant influence. Significant influence or accountability is based primarily on the oversight by the District Board. The District does not have any component units.

Basis of Accounting - The District's policy is to prepare its financial statements on the cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned and certain expenses are recognized when cash is disbursed rather than when the obligation is incurred. Buildings and equipment purchased are recorded as an asset rather than expense when purchased which is a generally accepted modification of the cash basis of accounting.

Fund Accounting – The operations of the District constitute an enterprise fund, a proprietary fund type. Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise – where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis is being financed or recovered primarily through user charges.

Cash and Cash Equivalents – For purposes of the statement of cash flows, 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.

Risk Management – The District is exposed to various risks of loss related to: torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District continues to carry commercial insurance for these types of risk. In addition, the District carries workers' compensation insurance on its employees. 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.

DEER CREEK CONSERVATION DISTRICT NO. 68
Notes to Financial Statements
Year Ended June 30, 2014

A. Summary of Significant Accounting Policies - continued:

Use of Estimates – The preparation of the financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences – The District does not calculate a dollar value of compensated absences. Thus, compensated absences have not been presented.

Revenue – The primary revenue of the District is received from the State of Oklahoma Conservation Commission. The Oklahoma State Conservation Commission provides reimbursement to the District for expenditures incurred that conserve, protect, and restore Oklahoma's natural resources.

B. Cash and Investments

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificated of saving and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance.

Investments – Investments consist of certificates of deposits at June 30, 2014.

C. Inventory

The District prepares its financial statements on the cash basis of accounting; therefore no amount has been recorded as inventory on June 30, 2014.

D. Property, Plant, and Equipment:

The District's property, plant, and equipment are recorded at historical cost. Depreciation expense has been computed using normal straight-line method for financial reporting purposes over the estimated useful lives of the related assets.

DEER CREEK CONSERVATION DISTRICT NO. 68
Notes to Financial Statements
Year Ended June 30, 2014

E. Net Assets

Net assets represents the difference between assets and liabilities. Net assets is divided into three components as follows:

- a. 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 attributed to the acquisition, construction, or improvements of those assets.
- b. Restricted Net Position – 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 Position – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

The District’s policy is to first use restricted resources and then toward unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

F. Restricted Assets

The District currently has no restricted assets.

G. Income Taxes

The District as a governmental entity is exempt from income taxes under the Internal Revenue Code.

H. State Contracts

The District derives the majority of its revenue from service contracts with the State of Oklahoma. These contracts are subject to audits by the State and could result in repayments of monies if certain conditions are not met.

DEER CREEK CONSERVATION DISTRICT NO. 68
Notes to Financial Statements
Year Ended June 30, 2014

E. Employee Retirement System

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 (PERS). Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all regular employees who work at least 1000 hours per year and are not seasonal, temporary 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.

A participant with six years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing eight years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date.

When a retired participant dies and has completed twenty years of credited service, the beneficiary is entitled to a death benefit. If the beneficiary is a surviving spouse, the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death.

The contribution rates for the Districts, which are not actuarial determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 10% of applicable compensation for the year ended June 30, 2014. The District is allowed by the Oklahoma Public Employees' Retirement System to make the required contributions on behalf of the participating members.

Employees contribute up to 3.5% of earnings for the year ended June 30, 2014.

DEER CREEK CONSERVATION DISTRICT NO. 68
Notes to Financial Statements
Year Ended June 30, 2014

Employee Retirement System (Continued)

The Pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The non-funded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2013, is as follows:

Total Pension Benefit Obligation	\$18,973,166,739
Actuarial Value of Assets	<u>10,861,057,537</u>
Unfunded Actuarial Accrued Liability	<u>\$ 8,112,109,202</u>

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten year historical trend information is presented in the Oklahoma Public Employees' Retirement System Annual Report for the year ended June 30, 2013. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The Oklahoma Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Retirement System, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405)521-2387.

F. Related Party

In the normal course of business, the District mainly transacts business with members of the Board of Directors and employees. The aggregate of these transactions is not significant to the financial statements and are subject to the same terms as all other customers.

G. Subsequent Events

Management has evaluated subsequent events through September 25, 2014, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.