

DEER CREEK CONSERVATION DISTRICT
NO. 68
WEATHERFORD, OKLAHOMA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2012

**DEER CREEK CONSERVATION DISTRICT NO. 68
WEATHERFORD, OKLAHOMA
JUNE 30, 2012**

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BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Directors
Deer Creek Conservation District No. 68
Weatherford, Oklahoma

We have audited the accompanying financial statements of Deer Creek Conservation District No. 68, Weatherford, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Deer Creek Conservation District No. 68, Weatherford, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audits.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinions.

As discussed in Note A, Deer Creek Conservation District No. 68, Weatherford, Oklahoma, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of Deer Creek Conservation District No. 68, Weatherford, Oklahoma, as of June 30, 2012 and the respective changes in financial position and cash flows—modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of Deer Creek Conservation District No. 68, Weatherford, Oklahoma'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* and should be considered in assessing the results of our audits.

The Deer Creek Conservation District No. 68 Weatherford, Oklahoma has omitted 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.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

Weatherford, Oklahoma
September 28, 2012

FINANCIAL STATEMENTS

OF

**DEER CREEK CONSERVATION DISTRICT NO. 68
WEATHERFORD, OKLAHOMA**

Deer Creek Conservation District No. 68
Statement of Net Assets - Modified Cash Basis
As of June 30, 2012

Assets

Current Assets:	
Petty Cash	\$ 32.95
Cash in Bank - First National Bank of Weatherford	31,717.10
Cash in Bank - Bank of Western OK of Weatherford	<u>23,668.99</u>
Total Cash	<u>55,419.04</u>
Certificate of Deposit -- First National Bank of Thomas	7,000.00
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	7,000.00
Certificate of Deposit -- IBC Bank of Weatherford	7,000.00
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	<u>7,000.00</u>
Total Certificate of Deposits	<u>56,000.00</u>
Total Current Assets	<u>111,419.04</u>
Non - Current Assets:	
Fixed Assets:	
Land	22,675.00
Building	65,054.00
Equipment	135,614.60
Accumulated Depreciation	<u>(124,203.50)</u>
Fixed Assets	<u>99,140.10</u>
Total Assets	<u>\$ 210,559.14</u>

Liabilities and Net Assets

Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 99,140.10
Unrestricted	<u>111,419.04</u>
Total Net Assets	<u>210,559.14</u>
Total Liabilities and Net Assets	<u>\$ 210,559.14</u>

See accompanying notes to financial statements and accountants' report.

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, 2012

Operating Revenues:

Oklahoma Conservation Commission Reimbursements:	\$ 71,842.17
Other Revenues:	
Equipment Rental	18,925.95
Storage Rental	13,999.93
Grass Seed Sales	16,963.26
Sales Tax	205.23
Meeting Income	147.57
CREP Stipend	1,200.00
Other	150.00
Total Operating Revenues	<u>123,434.11</u>

Operating Expenses:

Grass Seed	15,163.94
Salaries	63,539.80
Retirement	1,477.32
Payroll Taxes	5,045.54
Postage and Supplies	3,181.00
Advertising	1,338.88
Telephone	736.25
Utilities	3,415.77
Per Deim	1,400.00
Meeting Expense	4,121.49
Miscellaneous	889.44
Sales Tax	204.18
Info and Educ. Supplies	1,124.28
Equipment Repairs	3,582.30
Mini Storage Refunds	369.01
Cobb Creek Project	-
Service Charge	144.00
Insurance	2,591.00
OACD	90.00
Dues	1,088.76
Audit	780.00
Depreciation	14,016.00
Total Operating Expenses	<u>124,298.96</u>
Operating Income (Loss)	(864.85)

See accompanying notes to financial statements and accountants' report.

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, 2012

Operating Income (Loss)	\$ (864.85)
Non-Operating Income:	
Interest Income -- Certificates of Deposit	644.97
Interest Income -- Savings and Checking Accounts	31.01
Gain on Sale of Assets	<u>1,077.00</u>
Total Non-Operating Income	<u>1,752.98</u>
 Change in Net Assets	 888.13
 Total Net Assets, Beginning	 209,671.01
 Prior Period Adjustment	 <u>-</u>
 Total Net Assets, Ending	 <u>\$ 210,559.14</u>

See accompanying notes to financial statements and accountants' report.

Deer Creek Conservation District No. 68
Statement of Cash Flows - Modified Cash Basis
For the Period Ending June 30, 2012

Cash Flows From Operating Activities:	
Cash Received From Interest	\$ 675.98
Cash Received From Other Reciepts	51,591.94
Cash Received From State	71,842.17
Cash Paid for Operations	<u>(110,282.96)</u>
Net Cash Provided From Operating Activities	<u>13,827.13</u>
Cash Flows From Investing Activities:	
Cash Paid For:	
Investments	0.00
Purchase of Fixed Assests	0.00
Cash Received From:	
Investments	0.00
Sale of Assets	<u>1,077.00</u>
Net Cash Flows From Investing Activities	<u>1,077.00</u>
Net Increase (Decrease) in Cash	14,904.13
Cash at Beginning of Year	<u>40,514.91</u>
Cash at End of Year	<u>\$ 55,419.04</u>

Reconciliation of Net Income to Net Cash
Provided From Operating Activities

Net Income	\$ 888.13
Gain on Sale of Assets	(1,077.00)
Depreciation and Amortization	<u>14,016.00</u>
Net Cash Provided From Operating Activities	<u>\$ 13,827.13</u>

See accompanying notes to financial statements and accountants' report.

NOTES TO FINANCIAL STATEMENTS
OF
DEER CREEK CONSERVATION DISTRICT NO. 68
WEATHERFORD, OKLAHOMA

DEER CREEK CONSERVATION DISTRICT NO. 68
Notes to Financial Statements
Year Ended June 30, 2012

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, 2012

A. Summary of Significant Accounting Policies:

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, 2012.

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, 2012.

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, 2012

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, 2012. 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, 2012.

DEER CREEK CONSERVATION DISTRICT NO. 68
Notes to Financial Statements
Year Ended June 30, 2012

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 nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2011, is as follows:

Total Pension Benefit Obligation	\$ 17,560,754,452
Actuarial Value of Assets	<u>9,960,576,151</u>
Unfunded Actuarial Accrued Liability	<u>\$ 7,600,178,301</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, 2012. 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.

REPORT ON INTERNAL CONTROL AND ON COMPLIANCE

OF

**DEER CREEK CONSERVATION DISTRICT NO. 68
WEATHERFORD, OKLAHOMA**



BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

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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 *GOVERNMENT AUDITING STANDARDS*

The Honorable Board of Directors
Deer Creek Conservation District No. 68
Weatherford, Oklahoma

We have audited the financial statements of Deer Creek Conservation District No. 68, Weatherford, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise Deer Creek Conservation District No. 68, Weatherford, Oklahoma's basic financial statements and have issued our report thereon dated September 28, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Deer Creek Conservation District No. 68, Weatherford, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 a 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. We consider the deficiency described in number one below to be a material weakness.

1. The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees where there were a larger number available prevents a proper segregation of accounting functions, which is necessary to assure adequate internal accounting control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Deer Creek Conservation District No. 68, Weatherford, Oklahoma's financial statements are free of material misstatement, we performed tests of its 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors and administrative employees, all applicable county, state and federal agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Britton, Kuykendall & Miller
BRITTON, KUYKENDALL AND MILLER
Certified Public Accountants

Weatherford, Oklahoma
September 28, 2012