

**GRADY COUNTY CONSERVATION DISTRICT  
CHICKASHA, OKLAHOMA  
June 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Grady County Conservation District  
Chickasha, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the **Grady County Conservation District**, Chickasha, Oklahoma, as of and for the year ended June 30, 2015, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 the 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'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 opinions on the effectiveness of the District'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 accounting 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**

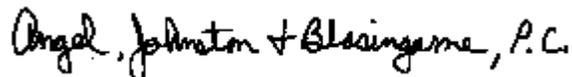
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, and each major fund of the Grady County Conservation District as of June 30, 2015, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated, January 26, 2016, on our consideration of the District'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 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.



Angel, Johnston & Blasingame, P.C.  
Chickasha, Oklahoma  
January 26, 2016

**GRADY COUNTY CONSERVATION DISTRICT**  
**Statement of Net Position - Modified Cash Basis**  
**June 30, 2015**

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 16,601	\$ 18,186	\$ 34,787
Investments	-	7,218	7,218
<i>Total Current Assets</i>	<u>16,601</u>	<u>25,404</u>	<u>42,005</u>
Noncurrent Assets:			
Other capital assets, net	<u>26,526</u>	<u>38,621</u>	<u>65,147</u>
<i>Total Noncurrent Assets</i>	<u>26,526</u>	<u>38,621</u>	<u>65,147</u>
<i>Total Assets</i>	<u>43,127</u>	<u>64,025</u>	<u>107,152</u>
<b><u>Liabilities</u></b>			
Other Liabilities	-	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Net Position</u></b>			
Net Investment in Capital Assets	26,526	38,621	65,147
Unrestricted	<u>16,601</u>	<u>25,404</u>	<u>42,005</u>
<i>Total Net Position</i>	<u>\$ 43,127</u>	<u>\$ 64,025</u>	<u>\$ 107,152</u>

The accompanying notes are an integral part of the financial statements.

**GRADY COUNTY CONSERVATION DISTRICT**  
**Statement of Activities - Modified Cash Basis**  
**Year Ended June 30, 2015**

<b>Functions/Programs</b>	<b>Program Revenues</b>				<b>Net (Expenses) Revenue and Changes in Net Position</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 120,737	\$ 8,015	\$ 108,906	\$ -	\$ (3,816)	\$ -	\$ (3,816)
Watershed Maintenance	6,260		7,500	-	1,240	-	1,240
<i>Total Governmental Activities</i>	<u>126,997</u>	<u>8,015</u>	<u>116,406</u>	<u>-</u>	<u>(2,576)</u>	<u>-</u>	<u>(2,576)</u>
Business-Type Activities:							
Seed and Equipment	\$ 51,272	\$ 30,593	\$ -	\$ -	\$ -	\$ (20,679)	\$ (20,679)
Pump Out	-	-	-	-	-	-	-
<i>Total Business-Type Activities</i>	<u>51,272</u>	<u>30,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,679)</u>	<u>(20,679)</u>
<i>Total Primary Government</i>	<u>\$ 178,269</u>	<u>\$ 38,608</u>	<u>\$ 116,406</u>	<u>\$ -</u>	<u>\$ (2,576)</u>	<u>\$ (20,679)</u>	<u>\$ (23,255)</u>
General Revenues:							
Investment Income					-	32	32
Gain (Loss) on Sale of Assets					-	(12,305)	(12,305)
Transfers					8,774	(8,774)	-
<i>Total General Revenues and Transfers</i>					<u>8,774</u>	<u>(21,047)</u>	<u>(12,273)</u>
<i>Change in Net Position</i>					6,198	(41,726)	(35,528)
<i>Net Position - Beginning</i>					<u>36,929</u>	<u>105,751</u>	<u>142,680</u>
<i>Net Position - Ending</i>					<u>\$ 43,127</u>	<u>\$ 64,025</u>	<u>\$ 107,152</u>

The accompanying notes are an integral part of the financial statements.

**GRADY COUNTY CONSERVATION DISTRICT**  
**Statement of Assets, Liabilities and Fund Balance**  
**Governmental Fund - Modified Cash Basis**  
**June 30, 2015**

	<b>General</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 16,601
<i>Total Assets</i>	16,601
<b>Liabilities</b>	
Other Liabilities	-
<i>Total Liabilities</i>	-
<b>Fund Balance</b>	
Unassigned	16,601
<i>Total Fund Balance</i>	16,601
 <i>Total Liabilities and Fund Balance</i>	 \$ 16,601

The accompanying notes are an integral part of the financial statements.

**GRADY COUNTY CONSERVATION DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Fund - Modified Cash Basis**  
**Year Ended June 30, 2015**

	<b>General</b>
<b>Revenues</b>	
State Allocation	\$ 108,906
State Allocation - Watershed	7,500
Rental Income	4,500
Miscellaneous Income	278
Book Sales	1,960
Book Ads	1,277
<i>Total Revenues</i>	124,421
 <b>Expenditures</b>	
Current:	
Personal Service	111,967
Maintenance and Operations	8,437
Watershed Maintenance	6,260
<i>Total Expenditures</i>	126,664
 Excess (Deficiency) of Revenues over Expenditures	 (2,243)
 <b>Other Financing Sources (Uses)</b>	
Transfer from Equipment Acct	8,774
<i>Total other financing sources and uses</i>	8,774
 Net Change in Fund Balance	 6,531
 Fund Balance - Beginning	 10,070
 Fund Balance - Ending	 \$ 16,601

The accompanying notes are an integral part of the financial statements.

**GRADY COUNTY CONSERVATION DISTRICT**  
**Reconciliation of Governmental Fund and Government-Wide Financial Statements**  
**Governmental Fund - Modified Cash Basis**  
**Year Ended June 30, 2015**

**Reconciliation to Statement of Net Position:**

Fund balance of governmental fund	\$	16,601
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:		26,526
Net Position of governmental activities	\$	43,127

**Reconciliation to Statement of Activities:**

Net change in fund balance of governmental fund	\$	6,531
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		(333)
Change in net position of governmental activities	\$	6,198

The accompanying notes are an integral part of the financial statements.

**GRADY COUNTY CONSERVATION DISTRICT**  
**Statement of Net Position**  
**Proprietary Fund - Modified Cash Basis**  
**June 30, 2015**

	<b>Equipment Account</b>
<b><u>Assets</u></b>	
Current Assets:	
Cash and Cash Equivalents	\$ 18,186
Certificate of Deposit - Pump Out	7,218
<i>Total Current Assets</i>	25,404
Noncurrent Assets:	
Capital Assets, net of depreciation	38,621
<i>Total Noncurrent Assets</i>	38,621
<i>Total Assets</i>	64,025
<b><u>Liabilities</u></b>	
Other Liabilities	-
<i>Total Liabilities</i>	-
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	38,621
Unrestricted	25,404
<i>Total Net Position</i>	\$ 64,025

The accompanying notes are an integral part of the financial statements.

**GRADY COUNTY CONSERVATION DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund - Modified Cash Basis**  
**Year Ended June 30, 2015**

	<b>Equipment Account</b>
<b>Operating Revenues</b>	
Seed Sales	\$ 660
Gopher Machine	450
Other Income	520
Custom Work	28,963
<i>Total Operating Revenues</i>	30,593
<b>Operating Expenses</b>	
Personal Service	9,335
Maintenance and Operations	32,554
Depreciation Expense	9,383
<i>Total Operating Expenses</i>	51,272
<i>Operating Income (Loss)</i>	(20,679)
<b>Non-Operating Revenues (Expenses)</b>	
Interest Income	32
Gain (Loss) on Sale of Capital Assets	(12,305)
<i>Total Non-Operating Revenues (Expenses)</i>	(12,273)
<b>Other Financing Sources (Uses)</b>	
Transfer to General Fund	(8,774)
<i>Total other financing sources and uses</i>	(8,774)
Change in Net Position	(41,726)
Total Net Position - Beginning	105,751
Total Net Position - Ending	\$ 64,025

The accompanying notes are an integral part of the financial statements.

**GRADY COUNTY CONSERVATION DISTRICT**  
**Statement of Cash Flows**  
**Proprietary Fund - Modified Cash Basis**  
**Year Ended June 30, 2015**

		<u>Equipment Account</u>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$	30,593
Cash paid to suppliers		(41,327)
Cash paid to employees		(9,335)
<i>Net cash provided (used) by operating activities</i>		<u>(20,069)</u>
 <b>Cash flows from capital and related financing activities</b>		
Sale of capital assets		17,100
Purchase of capital assets		-
<i>Net cash provided (used) by capital and related financing activities</i>		<u>17,100</u>
 <b>Cash flows from investing activities</b>		
Interest Income-net of fees		32
<i>Net cash provided (used) by investing activities</i>		<u>32</u>
 <i>Net increase (decrease) in cash and cash equivalents</i>		
<i>Balances - beginning of year</i>		28,341
<i>Balances - end of year</i>	\$	<u><u>25,404</u></u>
 <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>		
Operating income (loss)	\$	(29,452)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		-
Depreciation expenses		9,383
<i>Net cash provided (used) by operating activities</i>	\$	<u><u>(20,069)</u></u>

The accompanying notes are an integral part of the financial statements.

**GRADY COUNTY CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

**Note 1 – Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Grady County Conservation District is a legal subdivision of state government, whose primary goal is to assist citizens in practicing wise use and management of the state's renewable natural resources, especially its soil and water. The District assists farmers, ranchers, community planners, public health officials, developers and rural and urban citizens. It also provides a variety of education materials and opportunities for students. The basic operations of the District are financed through financial assistance provided by the State of Oklahoma through the Oklahoma Conservation Commission. The Oklahoma Conservation Commission is the agency that provides assistance and guidance to the District and helps coordinate their activities.

The governing board consists of five members, three of which are elected by area voters and two are appointed by the Oklahoma Conservation Commission based on local board recommendations.

The accompanying financial statements include all functions and activities over which the District exercises financial accountability. There are no other entities for which the District is considered to be financially accountable, and as such, no other entities are presented.

**B. Basis of Presentation**

*Government Wide Financial Statements*

The Statement of Net Position-Modified Cash Basis and Statement of Activities-Modified Cash Basis 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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or service.

The Statement of Activities-Modified Cash Basis demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**GRADY COUNTY CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

**B. 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, which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are grouped, in the financial statements in this report, into two major categories: governmental and proprietary. This District presently has no fiduciary funds.

The funds of the financial reporting entity are described below:

**Governmental Fund Types**

1. **General Fund** – The General Fund is used to account for all financial transactions except those legally and administratively required to be accounted for in another fund.

**Proprietary Fund Types**

1. **Enterprise Fund** – Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

Equipment Account – Accounts for the activity related to pump out activity, seed sales, equipment rental and tractor driven applications.

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

Measurement Focus

Measurement focus refers to how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b. below.

**GRADY COUNTY CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

**C. Measurement Focus and Basis of Accounting, (continued)**

In the fund financial statement, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. 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 during a given period. These funds use fund balance as their measure 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 position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide financial statements and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities except as noted above) *are not recorded* in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**GRADY COUNTY CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

**D. Assets, Liabilities and Equity**

Cash & Cash Equivalents

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

Investments

The District considers all time deposit accounts including certificates of deposit with maturities of greater than three months to be an investment.

Capital Assets

In the government-wide and proprietary fund financial statements, capital assets are accounted for as assets in the statement of net position. All capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their fair market value as of the date received. This District has determined that assets with a cost of more than \$1,000 will be capitalized.

Depreciation of exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the estimated useful lives using the straight-line method of depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Years</u>
Buildings	30 – 35 years
Equipment	5 – 10 years

In the governmental fund financial statements, capital assets acquired for use in operations are accounted for as capital outlay expenditures upon acquisition.

Government-wide and Proprietary Fund Net Position

In the government-wide and proprietary fund financial statements, net position is displayed in three components:

- a. *Net Investment in Capital Assets* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.

**GRADY COUNTY CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

**D. Assets, Liabilities and Equity, (continued)**

- 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.”

It is the District’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Governmental Fund Balance

In the governmental fund financial statements, fund balance is classified as follows:

**Nonspendable** fund balance represents amounts that cannot be spent either because they are in non-spendable form or because they are legally required to be maintained intact.

**Restricted** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

**Committed** fund balance represents amounts that are useable only for specific purposes by formal action of the government’s highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

**Assigned** fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in

**GRADY COUNTY CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

**D. Assets, Liabilities and Equity, (continued)**

the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

**Unassigned** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

**Resource Use Policy**

It is the District's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the District considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the District's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the District considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

**E. Source of Revenue**

The District receives reimbursements from the Oklahoma Conservation Commission (OCC). The funds for operation of the OCC and the conservation districts are appropriated annually by the legislature for the Commission to allocate to each district on a reimbursable basis. The funding is broken down into the following program areas:

- Administration
- Watershed Planning and Archeology

**F. Revenues and Expenses**

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the District are reported as program revenues. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All other revenues are reported as general.

**GRADY COUNTY CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

**F. Revenues and Expenses (continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. The operating revenues of the District are charges to customers for sales and services. Operating expenses include the cost of sales and services, administration expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expense.

**G. Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

**Note 2 – Investments, Deposits and Collateral**

**A. Cash and Investments**

Deposits and Investments – The District does not have a written investment policy that limits its investment choices. Investments are in compliance with Oklahoma statutes.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a written policy for custodial credit risk, but *Oklahoma Statutes* requires collateral for all uninsured deposits of public funds in financial institutions. As of June 30, 2015, the District's bank balances of \$49,509 were not exposed to custodial credit risk.

**B. Restricted Assets**

The Authority does not have any restricted assets.

**GRADY COUNTY CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

**Note 3 - Capital Assets**

Capital assets as of June 30, 2015, consist of the following:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Non-depreciable assets:</b>				
Land and Other Non-depreciated Assets	\$ 14,160	\$ _____ -	\$ _____ -	\$ 14,160
<b>Capital assets, being depreciated:</b>				
Buildings	22,199	-	-	22,199
Equipment	<u>604</u>	<u>        </u> -	<u>        </u> (604)	<u>        </u> -
Total capital assets, being depreciated	22,803	-	(604)	22,199
Less: accumulated depreciation	<u>(10,104)</u>	<u>        </u> (333)	<u>        </u> 604	<u>        </u> (9,833)
Total capital assets, being depreciated	<u>12,699</u>	<u>        </u> (333)	<u>        </u> 0	<u>12,366</u>
Governmental Activities Capital Assets, Net	<u>\$ 26,859</u>	<u>\$ (333)</u>	<u>\$ 0</u>	<u>\$ 26,526</u>
 <b><u>Business-Type Activities:</u></b>				
<b>Capital assets, being depreciated:</b>				
Equipment	\$ 134,466	\$ _____ -	\$ (38,669)	\$ 95,797
Total capital assets, being depreciated	134,466	-	(38,669)	95,797
Less: accumulated depreciation	<u>(57,057)</u>	<u>        </u> (9,383)	<u>        </u> 9,264	<u>        </u> (57,176)
Total Business-Type Activities - capital assets, net	<u>\$ 77,409</u>	<u>\$ (9,383)</u>	<u>\$ (29,405)</u>	<u>\$ 38,621</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

<u>Governmental Activities</u>	
General Government	\$ 333
<u>Business-Type Activities</u>	
Seed and Equipment	\$9,383

**Note 4 – Pension Plan**

**Plan Description** – The District, included as part of Oklahoma Conservation Commission, participates in the Oklahoma Public Employees Retirement Plan (the “Plan”), a cost-sharing, multiple-employer defined benefit pension plan administered by

**GRADY COUNTY CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

**Note 4 – Pension Plan (continued)**

the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. The District has no responsibility or authority for the operation and administration of the System.

OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained online at [www.opers.ok.gov](http://www.opers.ok.gov) or by calling 405-858-6737.

**Funding Policy** – All eligible employees contribute 3.5% of gross wages. The Oklahoma Conservation Commission contributes 16.5% of gross wages on reimbursable salaries for all eligible participants.

The District’s employees also have the option to participate in the 2.5% Step-Up, which allows members to increase their retirement benefits by paying an additional member contribution each pay period.

The District does not make contributions. The Oklahoma Conservation Commission contributes the employer’s contributions, and therefore employer contributions are not recorded in the financial statements or note disclosures. There were \$3,615 contributions made by employees during the year ended June 30, 2015.

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 state and local agencies. The non-funded pension benefit obligation of the System as determined as part of the latest audited actuarial valuation dated July 1, 2014, is as follows:

Total pension obligation	\$ 8,753,669,153
Net assets available for benefits, at cost	<u>7,759,257,716</u>
Nonfunded pension benefit obligation	<u>\$ 994,411,437</u>

Ten-year historical trend information is presented in the Oklahoma Public Employees Retirement System Annual Report as of July 1, 2014. This information is useful in assessing the pension plan’s accumulation of sufficient assets to pay pension benefits as they come due.

**GRADY COUNTY CONSERVATION DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

**Note 5 – Other Notes**

**A. Risk Management**

The District is exposed to various risks of loss (torts, theft of, damage to, or destruction of assets, business interruptions, errors and omissions, job-related illnesses or injuries to employees, and acts of God) and has established a risk management strategy that attempts to minimize loss and the carrying cost of insurance. The District carries general liability and property insurance to mitigate the risk of loss. Management believes such insurance coverage is sufficient to preclude any sufficient uninsured losses to the District. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past three years.

Worker's compensation is covered through participation in the State Insurance Fund. Risk of loss retained is limited to the excess of insurance liability coverage limits set by the State Insurance Fund.

**B. Income Taxes**

The District as a governmental entity is exempt for income taxes under Section 501(C)(12) of the Internal Revenue Code.

**C. Commitments and Contingencies.**

Amount received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures which may be disallowed by the grantor cannot be determined at this time, although, the District expects such amounts, if any, to be immaterial.

Compensated Absences

As a result of the District's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (accumulated but unused vacation leave) are not reflected in the financial statements. Governmental fund obligation for accrued compensated absences is \$6,869, while the General fund unassigned fund balance is \$16,601.

**Note 6 – Subsequent Events**

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

*Independent Auditor's Report on  
Internal Control and Compliance*

**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***

To the Board of Directors  
Grady County Conservation District  
Chickasha, Oklahoma

We have audited, in accordance with the 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 modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Grady County Conservation District, Chickasha, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated, January 26, 2016. Our report on the financial statements disclosed, that, as described in Note 1 to the financial statements, the District prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Grady County Conservation District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 District'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. We consider the

deficiency described in the accompanying schedule of findings and responses to be a material weakness. 15-01.

### **Compliance and Other Matters**

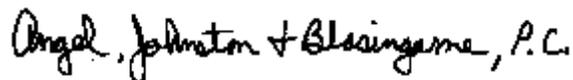
As part of obtaining reasonable assurance about whether Grady County Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 or other matters that are required to be reported under *Government Auditing Standards*.

### **Grady County Conservation District's Response to Findings**

Grady County Conservation District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with the *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Angel, Johnston & Blasingame, P.C.  
Chickasha, Oklahoma  
January 26, 2016

**Grady County Conservation District**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2015**

15-01 *Criteria* – A good system of internal control provides for a proper segregation of the accounting functions.

*Condition* – The District has a small number of employees that perform the duties that would normally be divided among a large number of personnel.

*Cause* – Lack of internal control surrounding the accounting functions segregation of duties.

*Effect or Potential Effect* – Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the accounting functions, including misappropriation of assets, could occur and not be detected within a timely basis.

*Recommendation* – While it may not be cost effective to hire the additional administrative staff that would be necessary in order to adequately segregate the responsibilities, the Board should consider a formal evaluation of their risks associated with this lack of segregation of duties. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties.

*Management response* – Management agrees.