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## HUGHES COUNTY CONSERVATION DISTRICT BOARD OF DIRECTORS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CHAIRMAN – DALE JENKINS

VICE-CHAIRMAN – LEON BARRETT

SECRETARY/TREASURER – STEVE ENOS

MEMBER – SAM McCLURE

MEMBER – CLAY MEEKS

Certified Public Accountant





The Board of Directors
Hughes County Conservation District

Management is responsible for the accompanying financial statements of the Hughes County Conservation District, which comprise the District's basic financial statements as listed in the accompanying table of contents and the determination that the modified cash basis of accounting is an acceptable financial reporting framework. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Kristi L. Dobbins, CPA September 25, 2019

## **Statement 1**

# HUGHES COUNTY CONSERVATION DISTRICT STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2019

## **ASSETS**

Cash	\$17,660
Investments	30,636
Total Assets	48,296
LIABILITIES	
Payroll taxes payable Total Liabilities	317 317
NET POSITION	
Unrestricted	47,979
Total Net Position	\$47,979

See accompanying notes to the basic financial statement and Independent Accountant's Report.

## HUGHES COUNTY CONSERVATION DISTRICT STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS For the fiscal year ended June 30, 2019

				Net(Expense) Revenue and Changes
		Prograr	n Revenues	in Net Assets
	-	Charges for	Operating Grants and	Primary Government Governmental
Functions/Programs	Expenses	Services	Contributions	Activities
Governmental activities:			:	
General Government	\$77,709		\$764	(\$76,945)
	General revenue			
Intergovernmental revenue restricted to specific programs		80,249		
	Investment inco	•		664
	Change	in net position		3,968
	Net position - beg	ginning		44,011
	Net position - end	ding		\$47,979

See accompanying notes to the basic financial statement and Independent Accountant's Report.

## HUGHES COUNTY CONSERVATION DISTRICT STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE -CASH BASIS - GENERAL FUND June 30, 2019

## **ASSETS**

Current Assets: Cash Investments Total Assets	\$17,660 30,636 ———————————————————————————————————
<u>LIABILITIES</u>	40,230
Liabilities: Payroll taxes payable Total Liabilities	317 317
FUND BALANCE	
Fund Balance Unassigned	47,979
Total Fund Balance	\$47,979

HUGHES COUNTY CONSERVATION DISTRICT STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS For the year ended June 30, 2019

Revenues:	
Reimbursements from Oklahoma Conservation Commission	\$73,749
Rent income	\$6,500
Interest income	664
Miscellaneous income	764
Total Revenues	81,677
Expenditures:	
Salaries and payroll taxes	46,543
Cost share expense	17,397
Watershed operation and maintenance	5,730
Advertising expense	184
Dues, licenses and fees	1,332
Meetings and conventions	152
Professional expense	2,565
Insurance and bonds	1,347
Postage	70
Environmental outdoor class expense	374
Equipment rental	559
Utilities	655
Scholarships	800
Total Expenditures	77,708
Excess (deficiency) of revenues over expenditures	3,969
Fund Balance - beginning of year	44,010
Fund Balance - end of year	47,979

See accompanying notes to the basic financial statement and Independent Accountant's Report.

For the fiscal year ended June 30, 2019

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity
- B. Basis of Presentation
- C. Measurement Focus and Basis of Accounting
- D. Assets, Liabilities and Equity
- E. Revenues and Expenditures
- F. Use of Estimates
- G. Differences from GAAP

## NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deposits and Investments Laws and Regulations

## NOTE 3. DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

A. Cash

## NOTE 4. OTHER NOTES

- A. Employee Pension and Other Benefits
- B. Commitments and Contingencies

## HUGHES COUNTY CONSERVATION DISTRICT NOTES TO FINANCIAL STATEMENTS For the fiscal year ended June 30, 2019

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the use of a modified cash basis of accounting as discussed in Note 1.C., the District complies with accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

#### 1.A. FINANCIAL REPORTING ENTITY

Hughes County Conservation District was established pursuant to Title 82 of Oklahoma State Law. The purpose of the District is to provide for the conservation of the renewable natural resources of this state, and for the control and prevention of soil erosion, and for the prevention of floodwater and sediment damages, and for furthering the conservation, development, utilization and disposal of water and thereby to preserve and develop natural resources, control floods, conserve and develop water resources and water quality, prevent impairment of dams and reservoirs, preserve wildlife, preserve natural beauty, promote recreational development, protect the tax base, protect public lands and protect and promote the health, safety and general welfare of the people of this state.

The Oklahoma Conservation Commission provides oversight and management to the Oklahoma Conservation Districts pursuant to Title 27-A of the Oklahoma State Statutes.

The accompanying financial statements include all functions and activities over which the Conservation District exercises financial accountability. The District is considered a primary government as defined by the Governmental Accounting Standards Board (GASB) and has no other component units within its reporting entity.

#### 1.B. BASIS OF PRESENTATION

#### Government-Wide Financial Statements

The Statement 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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Hughes County Conservation District has no business-type activities as of June 30, 2019.

#### 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 constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The District presently has no proprietary funds. The District is considered a governmental entity as defined by the Governmental Accounting Standards Board (GASB). There is only one fund, which is the General Fund.

#### **GOVERNMENTAL FUND TYPES**

#### General Fund

The General Fund is the primary operating fund of the District. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

For the fiscal year ended June 30, 2019

#### 1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "how" transactions are recorded within each fund type. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

#### Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities the governmental activities are presented using the economic resources measurement focus as defined in item a. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus 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.

#### Basis of Accounting

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

If the District utilized the basis of accounting recognized as generally accepted, the governmental fund types would use the modified accrual basis of accounting.

Modified Accrual Basis - Revenues would be recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough hereafter to pay current liabilities.

Expenditures (including capital outlay) would be recognized when the related fund liability is incurred, except for general obligation bond principal and interest which would be reported when due.

## 1.D. ASSETS, LIABILITIES AND EQUITY

#### Cash

For the purpose of the balance sheet, "cash" includes all demand accounts held by the District.

#### **Investments**

For the purpose of the balance sheet, "investments" include certificates of deposit with maturities longer than 3 months. At June 30, 2019, the District had two certificates of deposit considered investments.

#### Accounts Receivable

As a result of the cash basis of accounting, accounts receivable and other revenue related receivables are not reported in the financial statements.

For the fiscal year ended June 30, 2019

#### Capital Assets

#### Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. The District has determined that all assets with a cost of more than \$1,000 will be capitalized.

Depreciation of all 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 assets' estimated useful lives using the straight-line method of depreciation.

#### Fund Financial Statements

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

If the Oklahoma Conservation Commission (OCC) gives the District funds to purchase an asset, even a portion of the funds, the OCC records the purchase as an asset on their books.

The District has no capital assets as of June 30, 2019.

#### Net Position and Fund Balance

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on its use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes verses availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the spendable fund balance category are further classified as restricted, committed, assigned or unassigned, as appropriate.

**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 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 the general fund that 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.

For the fiscal year ended June 30, 2019

#### 1.E. REVENUE AND EXPENDITURES

#### Reimbursements

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
- \* Field Services

#### Program Revenues

- \* Abandoned Mine Land (AML) Reclamation Program
- \* Water Quality Management
- \* Small Watersheds Flood Control Fund

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the District's reimbursements are reported as program revenues. All other governmental revenues are reported as general.

#### Expenditures/Expenses

In the government-wide financial statements, expenses are reported on the modified cash basis and are classified by function or activity for governmental activities.

In the fund financial statements, expenditures are classified by category.

#### 1.F. USE OF ESTIMATES

The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

## 14.G. DIFFERENCES FROM GAAP

#### Basis of Accounting

As discussed in Note 1.C., the District reports both the government-wide financial statements and the fund financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

## 2.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with O.S. Title 62, Section 516.3, all uninsured deposits of municipal funds and other political subdivisions in financial institutions must be secured with acceptable collateral valued at the lower of market or par. The District's deposits were properly insured by FDIC Insurance carried by depository banks.

## NOTE 3 - DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

#### 3.A. CASH

## Custodial Credit Risk

At June 30, 2019, the District held deposits of approximately \$48,296 at financial institutions. The District's cash deposits, including the interest-bearing certificates of deposit, are entirely covered by the Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

For the fiscal year ended June 30, 2019

## Investment Interest Rate Risk

The District does not have a formal investment policy that limits the investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with instate financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bonds or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligation of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2019 are as follows:

	Weighted			
	Average			
	Maturity	Credit	Market	
Туре	(Months)	Rating	Value	Cost
Investments				
Certificates of deposit	14	N/A	\$30,636	\$30,636
Total Investments			\$30,636	\$30,636

#### NOTE 4 - OTHER NOTES

## 4.A. EMPLOYEE PENSION AND OTHER BENEFITS

The District participates in one employee pension system as follows: Name of Plan/System

Type of Plan

Oklahoma Public Employees Retirement Plan

Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Public Employees' Pension and Retirement System

The Oklahoma Conservation Commission, as the employer, participates in one statewide cost-sharing multi-employer defined benefit plan on behalf of the employees working at least 1,000 hours per month. The system is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The following is a summary of eligibility factors, contribution methods, and benefit provisions.

Obtaining separately issued financial statements

Oklahoma Public Employees Retirement System 6601 N. Broadway, Suite 129 Oklahoma City, OK 73116

For the fiscal year ended June 30, 2019

Eligibility to participate All full-time permanent employees of a participating

local government Authority establishing contribution

obligations and benefits State Statute

Employee's contribution rate (percent of covered payroll) 3.5%

Commission's Contribution rate 16.5%

(percent of covered payroll)

State obligation State appropriation to fund the unfunded actuarial accrued liability

Period required to vest 7 ½ years, of which 6 must be fulltime service

Eligibility and benefits for distribution 2% of the average highest 3 years' annual covered

(full-time) compensation received during the last 10 years of

participating service multiplied by the number of

years of credited service.

Deferred retirement option No

Provisions for:

Cost of living adjustments Yes (normal retirement)

Death (duty, non-duty, post Yes retirement)

Disability (duty, non-duty)
Yes

Cost of living allowances No

#### Trend Information

Contributions required by State Statute and paid to the System for fiscal years 2019 was \$5,333. These contributions represent 100% of the required contribution in each fiscal year.

#### Related Party Investments

As of June 30, 2019, the System held no related-party investments of the District.

## 4.B. COMMITMENTS AND CONTINGENCIES

#### Commitments

As a result of the Districts use of cash basis of accounting, accrued amounts related to compensated absences (annual leave) earned but unpaid at year-end are not reflected in the financial statement. The compensated absence commitment at June 30, 2019, including employer related costs, is \$3,389.

## Contingencies:

The District is not involved with any legal proceedings, which normally occur in the course of governmental operations at this time. Therefore, the financial statements do not include accruals or provisions for loss contingencies.

While legal proceedings cannot be foreseen, the District feels that any settlement or judgment not covered by insurance carried by the Commission would not have a material effect on the financial condition of the District.