

NORTH FORK OF RED RIVER CONSERVATION DISTRICT
SAYRE, OKLAHOMA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2013

**NORTH FORK OF RED RIVER CONSERVATION DISTRICT
SAYRE, OKLAHOMA
JUNE 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Directors
North Fork of Red River Conservation District
Sayre, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of North Fork of Red River Conservation District, Sayre, Oklahoma, as of and for the years ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audits. We conducted our audits 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 audits 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 financial position of the business-type activities, and the aggregate remaining fund information of North Fork of Red River Conservation District, Sayre, Oklahoma, as of June 30, 2013, and the respective changes in financial position and cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The North Fork of Red River Conservation District, Sayre, Oklahoma has omitted the management's discussion and analysis accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2014, on our consideration of North Fork of Red River Conservation District, Sayre, 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 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 North Fork of Red River Conservation District, Sayre, Oklahoma's internal control over financial reporting and compliance.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL & MILLER
Certified Public Accountants

Weatherford, Oklahoma
January 16, 2014

FINANCIAL STATEMENTS
OF
NORTH FORK OF RED RIVER CONSERVATION DISTRICT
SAYRE, OKLAHOMA

North Fork of Red River Conservation District
Statement of Net Position
As of June 30, 2013

Assets

Current Assets:	
Cash in Bank	\$ 22,933.54
Petty Cash	<u>100.00</u>
Total Cash	<u>23,033.54</u>
Certificate of Deposit -- Interbank	53,384.43
Certificate of Deposit -- First National Bank & Trust	46,727.76
Certificate of Deposit -- First National Bank & Trust	<u>31,550.69</u>
Total Certificate of Deposits	<u>131,662.88</u>
Other Current Assets:	
Inventory	1,900.00
Prepaid Expense	<u>4,838.50</u>
Total Other Current Assets	<u>6,738.50</u>
Total Current Assets	<u>161,434.92</u>
Non - Current Assets:	
Fixed Assets:	
Land	50,000.00
Property, Plant, & Equipment	414,313.68
Accumulated Depreciation	<u>(261,384.61)</u>
Fixed Assets	<u>202,929.07</u>
Total Assets	<u>\$ 364,363.99</u>

Liabilities

Liabilities:	
Accounts Payable	<u>3,106.79</u>
Total Liabilities	<u>3,106.79</u>

Net Position

Net Position	
Net Investment in Capital Assets	202,929.07
Unrestricted	<u>158,328.13</u>
Total Net Position	<u>361,257.20</u>
Total Liabilities and Net Position	<u>\$ 364,363.99</u>

North Fork of Red River Conservation District
Statement of Revenues, Expenditures, and
Changes in Net Position
For the Year Ended June 30, 2013

REVENUES:

State Reimbursements	\$ 57,442.45	
Water Guzzler Sales	-	
Sale of Grass Seed	38,052.58	
Office Rental	36,405.00	
Equipment Rental	8,964.40	
Plat Books	705.00	
Interest Earned	953.40	
Miscellaneous	<u>2,941.96</u>	
		\$ 145,464.79
TOTAL REVENUES		

EXPENSES:

Grass Seed & Trees	32,258.10	
Salary & Wages	61,014.16	
Payroll Taxes	4,630.28	
Health Insurance	-	
Retirement	-	
Longevity	1,330.95	
Office Supplies & Postage	2,407.76	
Utilities	8,592.50	
Equipment	-	
Office Equipment	887.49	
Building & Equipment Repairs	688.31	
Vehicle Expenses	923.31	
Watershed Expense	156.33	
Building Expense	783.97	
Janitorial Services	4,800.00	
Shop Maintenance	20.74	
Insurance	5,304.00	
Educational	1,488.04	
Meeting Expense	6,308.32	
Dues & Fees	5,822.51	
Professional Fees	1,265.00	
Miscellaneous	7,625.58	
Water Guzzlers Expense	-	
Depreciation	<u>25,265.01</u>	
		<u>171,572.36</u>
TOTAL EXPENSES		

Excess (Deficiency) of Revenues	<u>\$ (26,107.57)</u>
Over (Under) Expenditures	

North Fork of Red River Conservation District
Statement of Revenues, Expenditures, and
Changes in Net Position (Continued)
For the Year Ended June 30, 2013

Net Position July 1, 2012	\$ 387,364.77
Additions:	
Revenues in Excess of Expenses	<u>(26,107.57)</u>
Net Position June 30, 2013	<u><u>\$ 361,257.20</u></u>

North Fork of Red River Conservation District
Statement of Cash Flows
For the Period Ending June 30, 2013

Cash Flows From Operating Activities:	
Cash Received From Interest	\$ 953.40
Cash Received From Other Receipts	38,052.58
Cash Received From Grants	-
Cash Received From State	57,442.45
Cash Received From Building Rent	36,405.00
Cash Received From Miscellaneous	3,646.96
Cash Received From Rent of Equipment	8,964.40
Cash Paid for Operations	<u>(144,817.83)</u>
Total Cash Provided From Operating Activities	<u>646.96</u>
Cash Flows from Investing Activities	
Purchase of Certificates of Deposit	<u>(941.91)</u>
Total Cash Provided (Used) by Investing Activities	<u>(941.91)</u>
Cash at Beginning of Year	<u>23,328.49</u>
Cash at End of Year	<u><u>\$ 23,033.54</u></u>

**Reconciliation of Net Income to Net Cash
Provided From Operating Activities**

Operating Income	\$ (26,107.57)
Adjustments:	
Depreciation	25,265.01
(Increase) Decrease in:	
Prepaid Expense	465.50
(Increase) Decrease in:	
Accounts Payable	<u>1,024.02</u>
Net Cash Provided From Operating Activities	<u><u>\$ 646.96</u></u>

NOTES TO FINANCIAL STATEMENTS
OF
NORTH FORK OF RED RIVER CONSERVATION DISTRICT
SAYRE, OKLAHOMA

NORTH FORK OF RED RIVER CONSERVATION DISTRICT
Notes to Financial Statements
Year Ended June 30, 2013

A. Summary of Significant Accounting Policies

Reporting Entity - The North Fork of Red River 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 and is 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 accrual basis of accounting. Revenues are recorded when earned and accrued liabilities are recognized when incurred. This policy is in accordance with accounting principles generally accepted in the United States of America.

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.

NORTH FORK OF RED RIVER CONSERVATION DISTRICT
Notes to Financial Statements
Year Ended June 30, 2013

A. Summary of Significant Accounting Policies:

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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, 2013.

C. Inventory

The District prepares its financial statements on the accrual basis of accounting; and has recorded inventory on June 30, 2013.

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.

NORTH FORK OF RED RIVER CONSERVATION DISTRICT
Notes to Financial Statements
Year Ended June 30, 2013

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, 2013. 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, 2013.

NORTH FORK OF RED RIVER CONSERVATION DISTRICT
Notes to Financial Statements
Year Ended June 30, 2013

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, 2012, is as follows:

Total Pension Benefit Obligation	\$ 18,588,042,438
Actuarial Value of Assets	<u>10,190,480,780</u>
Unfunded Actuarial Accrued Liability	\$ <u>8,397,561,658</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 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.

NORTH FORK OF RED RIVER CONSERVATION DISTRICT
Notes to Financial Statements
Year Ended June 30, 2013

G. Deposit and Investments

The District reporting entity considers all cash in bank checking accounts and certificates of deposit with an original maturity date of three months or less (including restricted assets) to be cash equivalents.

Investments of the District are limited by Oklahoma Statute, Title 62, and Section 348.1 to the following:

- a. Direct obligations of the U.S. Government or its agencies or 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 of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. Negotiable certificates of deposits, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations. Any investments in these instruments mentioned in the previous paragraphs a. and b., where the collateral has been deposited with a trustee in an irrevocable trust or escrow account.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county municipality or school district.

In accordance with Oklahoma Statute, title 62, Section 516.3, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at no more than market value. Acceptable collateral includes certain U.S. Government Agency Securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds.

NORTH FORK OF RED RIVER CONSERVATION DISTRICT
Notes to Financial Statements
Year Ended June 30, 2013

H. Deposit and Investments (continued)

The following is a summary of the District's credit risk on deposits:

Deposit Categories of Credit Risk:

- (A) Insured by Federal Deposit Insurance or direct obligation of the U.S. Government.
- (B) Collateralized with securities held by the pledging financial institutions trust department or agent in the District's name.
- (C) Uncollateralized.

	Category			Bank Balance
	(A)	(B)	(C)	
Primary Gov't	\$ 154,596.42	\$ 0.00	\$ 0.00	\$ 154,596.42

I. Property and Equipment

Capital asset activity for the year ended June 30, 2013, was as follows:

<u>Activities:</u>	<u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
Land	\$ 50,000	\$		\$ 50,000
Buildings	253,605			253,605
Equipment and Furniture	160,709			160,709
Totals at Historical Cost	464,314			464,314
Less: Accumulated Depreciation	236,120	25,265		261,385
Net Book Value	\$ 228,194	\$ 25,265		\$ 202,929

J. Subsequent Events

Management has evaluated subsequent events through January 16, 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.

REPORT ON INTERNAL CONTROL AND ON COMPLIANCE
OF
NORTH FORK OF RED RIVER CONSERVATION DISTRICT
SAYRE, 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
North Fork of Red River Conservation District
Sayre, Oklahoma

We have audited the financial statements of North Fork of Red River Conservation District, Sayre, Oklahoma, as of and for the year ended June 30, 2013, which collectively comprise North Fork of Red River Conservation District, Sayre, Oklahoma's basic financial statements and have issued our report thereon dated January 16, 2014. 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 North Fork of Red River Conservation District, Sayre, 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 North Fork of Red River Conservation District, Sayre, 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*.

Purpose of this Report

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

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL AND MILLER
Certified Public Accountants

Weatherford, Oklahoma
January 16, 2014