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State Auditor & Inspector

**TALIHINA CONSERVATION
DISTRICT #74**

FINANCIAL STATEMENTS

JUNE 30, 2011

TALIHINA CONSERVATION DISTRICT #74

JUNE 30, 2011

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TALIHINA CONSERVATION DISTRICT #74

LIST OF PRINCIPAL OFFICIALS

Board of Directors

Chairman	Charles J. Reamy
Vice-Chairman	John Allen Williams
Secretary-Treasurer	Doug Morgan
Member	Ronnie Rose
Member	Russell Transue

District Manager

Donna Hanebrink

Equipment Manager

Steven Ramsey

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Board of Directors
Talihina Conservation District #74

I have audited the accompanying statement of net assets – modified cash basis of Talihina Conservation District #74 as of June 30, 2011, and the related statement of revenues, expenses and changes in net assets and the statement of cash flows for the year then ended. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in note 1.C., the Talihina Conservation District #74, prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis position of the Talihina Conservation District #74 as of June 30, 2011, and the respective changes in the modified cash basis financial position and cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.C.

In accordance with Government Auditing Standards, I have also issued a report dated October 6, 2011, on my consideration of the Talihina Conservation District #74's internal control over financial reporting and my 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 my 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 my audit.

DAVID F. HEDGES, CPA

Talihina Conservation District #74

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The Talihina Conservation District #74's management has not presented the management's discussion and analysis supplementary information that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Spiro, Oklahoma
October 7, 2011

A handwritten signature in black ink, appearing to read 'D. Hedges', with a long horizontal flourish extending to the right.

**TALIHINA CONSERVATION DISTRICT #74
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2011**

ASSETS

Current Assets:

Cash and Cash Equivalents	5,809
Total Current Assets	<u>5,809</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	4,739
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Capital Assets:

Buildings	35,000
Furniture and Fixtures	200
Equipment	67,174
Vehicles	6,000
Less Accumulated Depreciation	<u>(90,368)</u>
Total Net Capital Assets	<u>18,006</u>

Total Noncurrent Assets	<u>22,745</u>
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TOTAL ASSETS	<u>28,554</u>
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LIABILITIES

Current Liabilities:

Payroll Taxes Withheld	1,154
Current Portion of Capital Lease	<u>1,187</u>
Total Current Liabilities	<u>2,341</u>

Noncurrent Liabilities:

Capital Lease	<u>924</u>
Total Noncurrent Liabilities	<u>924</u>

TOTAL LIABILITIES	<u>3,265</u>
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NET ASSETS:

Invested in Capital Assets, Net of Related Debt	15,895
Unrestricted	<u>9,394</u>
TOTAL NET ASSETS	<u>25,289</u>

See accompanying notes and accountant's report

**TALIHINA CONSERVATION DISTRICT #74
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

OPERATING REVENUES:

Oklahoma Conservation Commission	77,146
Custom Work	9,230
Tree Sales	1,284
Soil Test	542
Miscellaneous	455
TOTAL OPERATING REVENUES	<u>88,657</u>

OPERATING EXPENSES:

Dues & Assessments	100
Building Maintenance Expense	354
Directors' Meeting Expense	1,200
Postage/Office Supplies	1,189
Education/Meeting Expense	2,207
Audit Fee	595
Utilities & Telephone	3,650
District Salaries & Related Costs	70,697
Equipment Maintenance & Repair	1,081
Fuel	2,353
Director Election Expense	100
Insurance	3,072
Travel Expense	333
Talihina Outdoor Classroom	1,197
Tree Sale Expense	1,028
Soil Test Expense	505
Miscellaneous	733
Depreciation	2,247
TOTAL OPERATING EXPENSES	<u>92,641</u>

Operating Income (3,984)

NONOPERATING REVENUES (EXPENSES):

Interest Income	24
Interest Expense	(25)
TOTAL NONOPERATING EXPENSES	<u>(1)</u>

Changes in Net Assets (3,985)

Net Assets - Beginning of the Year 29,274

Net Assets - End of the Year 25,289

See accompanying notes and accountant's report

**TALIHINA CONSERVATION DISTRICT #74
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

Cash Flows From Operating Activities:	
Cash received from Oklahoma Conservation Commission	77,146
Cash received from custom services	9,230
Cash paid to employees	(70,697)
Cash paid to suppliers	(19,697)
Other receipts	2,281
Net Cash Provided (Used) by Operating Activities	<u>(1,737)</u>
Cash Flows From Noncapital Financing Activities:	
Decrease in payroll taxes payables	<u>(22)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(22)</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of capital assets	(2,420)
Capital lease proceeds	2,400
Payment of principal on long-term debt	(289)
Payment of interest on long-term debt	(25)
Net Cash Provided (Used) in Capital and Related Financing Activities	<u>(334)</u>
Cash Flows From Investing Activities:	
Interest income received	<u>24</u>
Net Cash Provided by Investing Activities	<u>24</u>
Net Increase in Cash and Cash Equivalents	(2,069)
Beginning Cash and Cash Equivalents	12,617
Ending Cash and Cash Equivalents	<u>10,548</u>
Reconciliation of Operating Income to Net Cash Provided By	
Operating Activities:	
Operating income	(3,984)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,247
Net Cash Provided by Operating Activities	<u>(1,737)</u>

See accompanying notes and accountant's report

TALIHINA CONSERVATION DISTRICT #74
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

1.A. FINANCIAL REPORTING ENTITY

The District's financial reporting entity is composed of The Talihina Conservation District #74 a special purpose government. In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

1.B. BASIS OF PRESENTATION

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The District presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

TALIHINA CONSERVATION DISTRICT #74
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

The only fund of the financial reporting entity is described below:

Enterprise Fund

Enterprise funds are used to account for business-like 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:

<u>Fund</u>	<u>Brief Description</u>
Talihina Conservation District #74	The District receives funds from state appropriations from the Oklahoma Conservation Commission as well as local revenues from various sources.

1.C. MEASUREMENT FOCUS ON BASIS OF ACCOUNTING

Measurement focus is a term used to describe “how” transactions are recorded within the financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the funds financial statements, 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. 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 assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

BASIS OF ACCOUNTING

The fund financial statements 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, proprietary fund statements, and the similar discretely presented component unit statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

TALIHINA CONSERVATION DISTRICT #74
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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) *are not recorded* in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements would use the accrual basis of accounting.

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit, which are fully insured by the Federal Deposit Insurance Corporation.

CAPTIAL ASSETS

The District’s modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate.

Fund Financial Statements

In the financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Actual historical cost was used to value the majority of the assets acquired prior to July 1, 2004. Prior to July 1, 2004, the District’s assets were not capitalized. Assets acquired since July 1, 2004 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in Statement of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$150 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	10-25 years
Machinery, furniture and equipment	3-20 years

TALIHINA CONSERVATION DISTRICT #74
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

LONG-TERM DEBT

All long-term debt arising from cash basis transactions to be repaid from the district resources is reported as long term debt in the financial statements.

EQUITY CLASSIFICATION

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—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 borrowing that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net assets—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 assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

1. E. REVENUES, EXPENDITURES, AND EXPENSES

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. USE OF STATEMENTS

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) 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.

TALIHINA CONSERVATION DISTRICT #74
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a government unit, the District is subject to various federal, state, and local laws and contractual regulations. The following instances of noncompliance are considered material to the financial statements.

2. A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. At June 30, 2011, there were no uninsured deposits.

NOTE 3. DETAIL NOTES—TRANSACTIONS CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

CUSTODIAL CREDIT RISK-DEPOSITS

The table presented below is designed to disclose the level of custodial credit risk assumed by the District based upon how its deposits were insured or secured with collateral at June 30, 2004. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

- Category 1-- Insured or registered with securities held by the District (or public trust) or by its agent in the entity's name.
- Category 2-- Uninsured and unregistered with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3-- Uninsured and unregistered with securities held by the pledging financial institution or by its trust department or agent but not in the District's name.

TALIHINA CONSERVATION DISTRICT #74
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Primary Government

Custody Credit Risk Category

Type of Deposits	Balance	Total Bank			Total Carrying Value
		1	2	3	
Insured deposits	\$ 10,865	\$ 10,865	-	-	\$ 10,548

Reconciliation to Statement of Net Assets:

Cash and Cash Equivalents	5,809
Restricted Cash and Cash Equivalents	4,739
Total Cash and Certificates of Deposit	<u>\$ 10,548</u>

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held for the Spirit of Nature outdoor classroom operation of \$4,475 and Scholarship Fund of \$264.

3.C. CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance at</u> <u>7/1/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>6/30/2011</u>
Other capital assets:				
Buildings	35,000	0	0	35,000
Furniture & Fixtures	200	0	0	200
Equipment	64,754	2,420	0	67,174
Vehicles	6,000	0	0	6,000
Total other capital assets at historical cost	<u>105,954</u>	<u>2,420</u>	<u>0</u>	<u>108,374</u>
Less accumulated depreciation for:				
Buildings	35,000	0	0	35,000
Furniture & Fixtures	200	0	0	200
Equipment	46,921	2,247	0	49,168
Vehicles	6,000	0	0	6,000
Total accumulated depreciation	<u>88,121</u>	<u>2,247</u>	<u>0</u>	<u>90,368</u>
Other capital assets, net	<u>17,833</u>	<u>173</u>	<u>0</u>	<u>18,006</u>
Capital assets, net	<u>17,833</u>	<u>173</u>	<u>0</u>	<u>18,006</u>

TALIHINA CONSERVATION DISTRICT #74
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

3.D. LONG TERM LIABILITIES

	<u>Outstanding Debt</u> <u>June 30, 2011</u>
Lease purchase obligations due to Talihina Branch Spiro State Bank	
4.25% interest with 8 quarterly payments of principal and interest of \$314.52 due March 2013. Lease is secured by Land Pride 74" Tiller.	<u>2,111</u>
Total Lease Purchases Outstanding	<u>\$ 2,111</u>
Current portion	\$ 1,187
Non-current portion	<u>924</u>
Total Notes Payable	<u>\$ 2,111</u>

The following is a summary of long-term capital lease additions and deductions for the year ended June 30, 2011.

	<i><u>Balance at</u></i> <i><u>7/1/2010</u></i>	<i><u>Additions</u></i>	<i><u>Deductions</u></i>	<i><u>Balance at</u></i> <i><u>6/30/2011</u></i>
Capital Lease Payable	<u>0</u>	<u>2,400</u>	<u>289</u>	<u>2,111</u>
Total	<u><u>0</u></u>	<u><u>2,400</u></u>	<u><u>289</u></u>	<u><u>2,111</u></u>

A summary of future lease payments separated by stated interest rate are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	1,187	71
2013	<u>924</u>	<u>20</u>
Total	<u><u>2,111</u></u>	<u><u>91</u></u>

3.E. PENSION PLAN

All full-time employees are covered by and must participate in the Oklahoma Public Employees Retirement Plan (OPERS). The District is not legally required to contribute to the OPERS, which is fully funded by the state and by contribution from covered employees. During the year ended June 30, 2011, the covered employees made contributions of \$2,286 to the OPERS.

**TALIHINA CONSERVATION DISTRICT #74
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Under the pension plan, benefits vest after 6 years of full-time employment. An employee with 10 years of service may retire at age 55 and receive reduced retirement benefits.

Based on state statute, employees covered by the pension plan contribute 3.5% of their monthly gross earnings to the pension fund. The state is required to contribute 15.5% of gross earnings to the plan.

The District's total current year payroll for all its employees amounted to \$65,459, of which \$65,459 was the amount of the payroll covered by the plan.

3.F. COMPENSATED ABSENCES

The District's policy for accumulation annual leave is based on years of continuous service. Full-time employees with less than five years of service can accumulated up to 240 hours; employees with over five years of service can accumulate up to 480 hours. The accrual of compensated absences is not reflected in modified cash basis statements.

At June 30, 2011, the District had an unrecorded commitment for earned but unused vacation benefits that would require payment upon employee termination of service in the amount of \$13,201.

NOTE 4. OTHER NOTES

4.A. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk Retained
a. Torts, errors and omissions	Coverage provided by Oklahoma Conservation Commission through Compsource	None
b. Injuries to employees (workers' compensation)	Coverage provided by Oklahoma Conservation Commission through Compsource	None
c. Physical property loss and natural disasters	Purchased commercial insurance package	None

TALIHINA CONSERVATION DISTRICT #74
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

4.B. ECONOMIC DEPENDENCY

Approximately 87% of the organization's total support was provided through funds appropriated annually by the Oklahoma Conservation Commission which are dependent upon legislative approval.

4.C. SUBSEQUENT EVENTS

The organization has adopted FASB ASC 855-10-50, formerly SFAS No. 165, *Subsequent Events*, which is effective for periods ending after June 15, 2009. The standard reflects the existing principles of current subsequent event accounting guidance and requires disclosure of the date through which subsequent events have been evaluated. Management performed an evaluation of the Organization's activity through October 7, 2011, the audit report date, and has concluded that there are no significant subsequent events requiring disclosure through that date.

4.D. STATE CONSERVATION COST-SHARE PROGRAM

The District is an intermediary for the State's Conservation Cost-Share Program. The District performed review, inspection and other services for applicants who received funds under the program.

4.E. CONTINGENT LIABILITIES

The District participates in a state assisted program. This program is audited in accordance with Government Auditing Standards in accordance with the required levels of State Financial Assistance. Audits of prior years have not resulted in any significant disallowed costs; however, grantor agencies may provide for further examinations. Based on prior experience, management believes that further examinations would not result in any significant disallowed costs.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AND AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Talihina Conservation District #74

I have audited the financial statements of the Talihina Conservation District #74 for the year ended June 30, 2011 which was presented on an other comprehensive basis of accounting, and have issued my report thereon dated October 7, 2011. I conducted my 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 my audit, I considered the Talihina Conservation District #74's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Talihina Conservation District #74's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Talihina Conservation District #74's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was designed to identify all deficiencies in internal control over financial reporting that might be deficiencies significant deficiencies, or material weaknesses. I did not identify any deficiencies in the internal control over financial reporting that I consider to be material weaknesses, as defined above.

DAVID F. HEDGES, CPA

Talihina Conservation District #74
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Talihina Conservation District #74's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Spiro, Oklahoma
October 7, 2011

A handwritten signature in black ink, appearing to read 'D. Hedges', with a long horizontal flourish extending to the right.