

**WASHITA COUNTY CONSERVATION
DISTRICT NO. 86**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

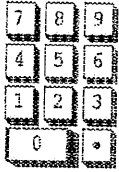
JUNE 30, 2014

**WASHITA COUNTY CONSERVATION
DISTRICT NO. 86**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Washita County Conservation District No. 86
Cordell, Oklahoma

We have audited the accompanying cash basis financial statements of the Washita County Conservation District No. 86 as of and for the year ended June 30, 2014, and the relate notes to the financial statements, which collectively comprise the District's 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 cash basis of accounting described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the 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 an opinion on these cash basis 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 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 judgement, 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the Washita County Conservation District No. 86 as of June 30, 2014, and the respective changes in cash basis financial position and its cash flows for the year then ended, in conformity with the cash basis of accounting described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles of the United States of America. Our opinion is 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 October 14, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 on compliance.

McCulley & McCulley

Weatherford, Oklahoma

October 14, 2014

**WASHITA COUNTY CONSERVATION DISTRICT NO. 86
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION
CASH BASIS
JUNE 30, 2014**

ASSETS	
Cash in Bank	\$ 36,118
Certificate of Deposit	<u>20,000</u>
TOTAL ASSETS	\$ <u>56,118</u>
 LIABILITIES AND NET POSITION	
LIABILITIES	\$
NET POSITION	<u>56,118</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>56,118</u>

The accompanying notes are an integral part of these statements.

**WASHITA COUNTY CONSERVATION DISTRICT NO. 86
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN NET POSITION - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2014**

CASH RECEIPTS

State Reimbursement	\$ 172,590
USDA/NRCS Grant Income	4,000
Equipment Rent Income	997
Office Rent Income	2,400
Interest Income	142
Donation	1,970
Seed	10,780
Sale of Assets	4,205
Mowing Income	<u>750</u>

TOTAL CASH RECEIPTS

197,834

CASH DISBURSEMENTS

Compensation and Benefits	96,150
Retirement and Health Insurance	7,074
Watershed Maintenance	73,928
Telephone	1,280
Meeting Expenses	1,625
Transportation Expenses	3,112
Seed Purchases	6,484
Classroom and Education	810
Advertising	121
Licenses and Dues	1,812
Insurance	1,691
Office Expenses	492
Repair and Maintenance	510
Purchase of Equipment	1,017
Professional Fees	<u>500</u>

TOTAL CASH DISBURSEMENTS

196,606

NET CASH RECEIPTS

1,228

NET POSITION

Beginning of Year	<u>54,890</u>
End of Year	<u>\$ 56,118</u>

The accompanying notes are an integral part of these statements.

**WASHITA COUNTY CONSERVATION DISTRICT NO. 86
STATEMENT OF CASH FLOWS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from State Reimbursements	\$	172,590
Cash Received from Grants		4,000
Cash Received in Rent		3,397
Cash Received from Donations		1,970
Cash Received from Sale of Assets		4,205
Cash Received from Interest		142
Cash Received from Seed		10,780
Cash Received from Mowing Income		750
Cash Paid to Employees and Benefits		(103,224)
Cash Paid for Operations		<u>(93,382)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 1,228

NET INCREASE IN CASH AND CASH EQUIVALENTS 1,228

CASH AND CASH EQUIVALENTS

Beginning of Year		<u>54,890</u>
End of Year	\$	<u><u>56,118</u></u>

RECONCILIATION OF NET CASH RECEIPTS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Cash Receipts	\$	<u>1,228</u>
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NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 1,228

The accompanying notes are an integral part of these statements.

WASHITA COUNTY CONSERVATION DISTRICT NO. 86
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

A. Summary of Significant Accounting Policies.

The Washita County Conservation District No. 86, (the District), is a special district of the State of Oklahoma. The District was created to implement soil conservation measures in Washita County, State of Oklahoma, and is financed by user charges and the Oklahoma Conservation Commission.

1. Basis of Accounting.

The District's policy is to prepare its financial statements on the cash basis of accounting; consequently, revenues are recognized when received rather than when earned, and expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

2. Cash in Bank and Certificate of Deposit.

Cash in bank consists of the District's checking and savings accounts. The market value of the certificate of deposit approximates cost. All deposits are insured by the Federal Deposit Insurance Corporation.

For purposes of the statement of cash flows, the District considers all cash in bank and the certificate of deposit to be cash equivalents.

B. Capital Assets.

In accordance with the cash basis of accounting, the District's capital assets are recognized as an expense when cash is disbursed. Sales of capital assets are recognized as income when sold and cash is received.

C. Risk Management.

The District purchases insurance on its vehicle and building. Insurance does not cover its metal buildings and some equipment. Deductibles range from \$500 to \$1,000, depending upon the coverage. Surety Bonds are purchased for the employees and Board of Directors. The Oklahoma Conservation Commission purchases workers compensation insurance for the District.

WASHITA COUNTY CONSERVATION DISTRICT NO. 86
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

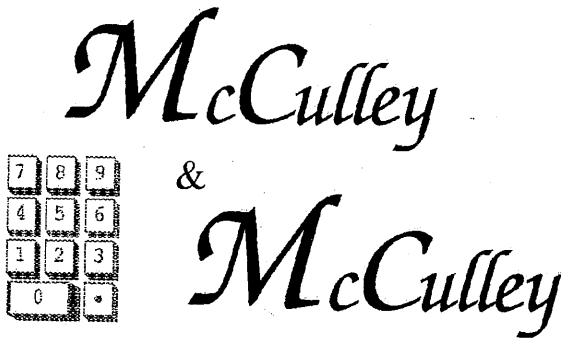
D. Employee Retirement System.

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 or 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 80 age/service points if hired before July 1, 1992 or 90 age/service points if hired after July 1, 1992, may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five with 10 years of service. The normal retirement allowance, equals two percent of the members final average compensation multiplied by the number of years of credited service. When a retired participant dies, the beneficiary is entitled to a death benefit.

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 16.5% of the applicable compensation for the year ended June 30, 2014. This contribution is actually paid by the Oklahoma Conservation Commission. The District is allowed by the Oklahoma Public Employees Retirements System to make the required contributions on behalf of the participating members. Employees contribute 3.5% of earnings for the year ended June 30, 2014.

Ten year historical trend information is presented in the Oklahoma Public Employees' Retirement System Annual Report for the year ended June 30, 2014. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.



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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

Board of Directors
Washita County Conservation District No. 86
Cordell, 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 accompanying cash basis financial statements of the Washita County Conservation District No. 86, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report dated October 14, 2014. The District reports on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the accompanying 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 weaknesses or significant deficiencies. 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying report entitled "Statement of Findings and Responses" to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of 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 the objective of our audit. 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.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying report "Statement 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

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing. It is 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.



Weatherford, Oklahoma

October 14, 2014

WASHITA COUNTY CONSERVATION DISTRICT NO. 86
STATEMENT OF FINDINGS AND RESPONSES
JUNE 30, 2014

1. Lack of Segregation of Duties.

CONDITION AND EFFECT - The District does not have adequate segregation of duties since it only has one office employee. Material errors or fraud could occur and not be found in a timely manner.

RECOMMENDATION - The District should segregate the duties to the extent possible should new employees be hired.

RESPONSE - The District has surety bond insurance to reduce any risk of loss. The District believes the cost of hiring additional employees is not economically feasible.

WASHITA COUNTY CONSERVATION DISTRICT NO. 86
UPDATE ON JUNE 30, 2011, AUDIT'S FINDINGS
JUNE 30, 2014

1. Lack of Segregation of Duties.

CONDITION AND EFFECT - The District does not have adequate segregation of duties since it only has one office employee. Material errors or fraud could occur and not be found in a timely manner.

RECOMMENDATION - The District should segregate the duties to the extent possible should new employees be hired.

RESPONSE - The District has surety bond insurance to reduce any risk of loss. The District believes the cost of hiring additional employees is not economically feasible.

UPDATED COMMENT - Situation is the same. Comment repeated.