

LATIMER COUNTY CONSERVATION DISTRICT

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

LATIMER COUNTY CONSERVATION DISTRICT
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YEAR ENDED JUNE 30, 2017

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Accountant's Compilation Report

Board of Directors
Latimer County Conservation District

Management is responsible for the accompanying financial statements of the Latimer County Conservation District which comprise the statement of net position as of June 30, 2017 and the related statements of revenues and expenses and changes in net position for the year then ended, and the related notes to the financial statements in accordance with the modified cash basis of accounting. Management is responsible to determine that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. We 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. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy and completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We 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.



Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
October 26, 2017

FINANCIAL STATEMENTS

AND

NOTES

LATIMER COUNTY CONSERVATION DISTRICT
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2017

ASSETS

Current Assets:	
Operating account	\$ 32,475
Designated accounts	10,817
Building account	<u>3,698</u>
Total Cash and Cash Equivalents	46,990
Land, buildings and equipment	
(Net of accumulated depreciation) (Note 5)	<u>263,430</u>
Total Assets	<u><u>\$ 310,420</u></u>

LIABILITIES AND NET POSITION

Current Liabilities:	
Payroll taxes due	\$
Capital lease, current portion (Note 6)	<u>17,049</u>
Total Current Liabilities	17,049
Noncurrent Liabilities:	
Capital lease, long term (Note 6)	<u>110,167</u>
Total Liabilities	127,216
Net Position:	
Net investment in capital assets	136,214
Unrestricted	<u>46,990</u>
Total Net Position	<u><u>183,204</u></u>
Total Liabilities and Net Position	<u><u>\$ 310,420</u></u>

See accountant's compilation report and notes.

LATIMER COUNTY CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2017

Revenues:

OCC reimbursements	\$ 28,657
Cost share received	4,694
Watershed reimbursements	41,589
Equipment rental and custom work	3,873
Geotextiles and tree sales	198
Building rent	33,810
Trade shows	1,950
Plat books and maps	355
Grants and sponsorships	11,217
Total Operating Revenues	<u>126,343</u>

Expenses:

Payroll	29,645
Payroll taxes and employee benefits	4,224
Repairs and maintenance	1,581
Cost share paid out	4,694
Utilities and telephone	6,461
Office supplies and postage	1,351
Building expenses	2,296
Mileage, meetings and travel	876
Professional fees	1,135
Product costs	500
Dues, memberships and licenses	185
Plat books and maps	100
Fuel	356
Conservation education	2,462
Watershed costs	23,394
Trade show expenses	4,335
Insurance	2,963
Depreciation	11,072
Janitor expenses	656
Other expenses	396
Total Operating Expenses	<u>98,682</u>

Operating Income (Loss)	27,661
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Nonoperating Revenues (Expenses):

Interest income	33
Gain on sale of assets	4,426
Interest expense	(7,071)
Total Nonoperating Revenue (Expenses)	<u>(2,612)</u>

Changes in net position	25,049
Net position at beginning of year	<u>158,155</u>
Net position at end of year	<u>\$ 183,204</u>

See accountant's compilation report and notes.

LATIMER COUNTY CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2017

Cash flows From Operating Activities:	
Cash received from customers	\$ 17,593
Other operating cash receipts	108,750
Cash payments to suppliers for goods and services	(57,965)
Cash payments to employees	(29,645)
Net cash provided (used) by operating activities	38,733
Cash flows from non-capital financing activities:	
Cash flows from capital and related financing activities:	
Sale of assets	4,426
Acquisition of assets	(5,765)
New borrowings	
Principle payments	(16,039)
Interest payments	(7,071)
Net cash provided (used) by financing activities	(24,449)
Cash flows from investing activities:	
Interest on cash and investments	33
(Increase) decrease in certificates of deposit	
Net cash provided (used) by investing activities	33
Net increase (decrease) in cash and cash equivalents	14,317
Beginning cash and cash equivalents	32,673
Ending cash and cash equivalents	\$ 46,990
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:	
Income (Loss) from operations	\$ 27,661
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	11,072
Changes in assets and liabilities:	
Increase (decrease) in payables	
Net cash provided (used) by operating activities	\$ 38,733

See accountant's compilation report and notes.

LATIMER COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Latimer County Conservation District was created under Title 27A, sections 3-1-101 through 3-3-410, as amended, of the Oklahoma Statutes. The purpose of the District is to provide for the conservation of the renewable natural resources in the area for which the District is responsible.

Basis of Accounting

The District maintains its records and prepares its financial statements using the modified cash basis of accounting. Under the modified cash basis, revenues are recognized when received, rather than when earned and expenditures are recognized when paid, rather than incurred. Fixed assets are recorded at cost when purchased and annual depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

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.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net investments in capital assets are 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 there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

NOTE 2 - CASH AND CERTIFICATES OF DEPOSIT:

The checking and savings accounts are covered by the Federal Deposit Insurance Corporation. All deposits at June 30, 2017 were fully insured.

NOTE 3 - INVESTMENTS:

The State of Oklahoma allows governmental entities to invest in the following: direct obligations of the United State Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; or county, municipal or school district direct debt.

LATIMER COUNTY CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2017

NOTE 4 – CASH AND CASH EQUIVALENTS:

The District considers all checking accounts and deposits with a maturity of three months or less to be cash equivalents.

NOTE 5 – LAND, PROPERTY AND EQUIPMENT:

Depreciable assets are recorded at cost when purchased or constructed. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed. Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. Total depreciation for the year ended June 30, 2017 was \$11,072. The following is a summary by category of changes in property and equipment:

<u>Category</u>	<u>6/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/17</u>
Land	\$ 26,840	\$	\$	\$ 26,840
Building & improvements	238,268			238,268
Furniture and equipment	100,417	5,765	(8,306)	97,876
Totals	365,525	5,765		362,984
Accumulated depreciation	(96,788)	(11,072)	8,306	(99,554)
Net	<u>\$ 268,737</u>	<u>\$ (5,307)</u>	<u>\$</u>	<u>\$ 263,430</u>

NOTE 6 – CAPITAL LEASE:

In 2012 the District entered into capital lease agreements with the Welch State Bank to finance improvements to the office building. The monthly payments are \$1,926 and the interest rate is 5.15%. The following is a summary of the District's future annual debt requirements and the activity during the year ended June 30, 2017:

	Balance at 6/30/16	\$ 143,255	
	New borrowings		
	Principle payments	(16,039)	
	Balance at 6/30/17	<u>\$ 127,216</u>	
<u>Year Ended</u>	<u>Amount</u>	<u>Principle</u>	<u>Interest</u>
6/30/18	\$ 23,110	\$ 16,128	\$ 6,982
6/30/19	23,110	16,960	6,150
6/30/20	23,110	17,853	5,257
6/30/21	23,110	18,796	4,314
6/30/22	23,110	19,787	3,323
6/30/23-6/30/26	57,355	37,692	19,663
	<u>\$ 172,905</u>	<u>\$ 127,216</u>	<u>\$ 45,689</u>

LATIMER COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 7 – OCC REIMBURSEMENTS:

The District is reimbursed by the Oklahoma Conservation Commission for salaries, payroll taxes, mileage, telephone charges, office supplies, and certain other office expenses. When received, such reimbursements are recognized as revenues.

NOTE 8 – RETIREMENT PLAN:

Oklahoma public employees who work 1,599 hours or more per year were enrolled in the Oklahoma Public Employees Retirement System. On salaries paid from reimbursable funds from the Oklahoma Conservation Commission the employers 16½ % share of retirement was paid directly by the Commission. The employees' share of the retirement contribution was 3½% of locally earned wages and 3 ½% of state reimbursable wages.

NOTE 9 – LEASE AGREEMENT:

The District has entered into a lease agreement with the NRCS for the lease of office space. The District received \$33,810 during the year ended June 30, 2017.

NOTE 10 – ESTIMATES:

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

NOTE 11 – RISK MANAGEMENT:

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The OCC and the District manage this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

LATIMER COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 12 – FAIR VALUES OF FINANCIAL INSTRUMENTS:

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).

Level 3: Significant unobservable inputs (including the District's own assumptions in determining the fair value of investments).

The District's financial instruments include cash and cash equivalents and a capital lease. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

NOTE 13 – CONTINGENCIES:

As of June 30, 2017 the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statement.