

SHAWNEE CONSERVATION DISTRICT
ANNUAL FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

SHAWNEE CONSERVATION DISTRICT
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YEAR ENDED JUNE 30, 2017

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Kimberlye R. Mayer, CPA, P.C.

723 West Doolin

Blackwell, OK 74631

(580) 363-1453
Fax (580) 363-0068

Independent Auditor's Report

Board of Directors
Shawnee Conservation District

Report on Financial Statements

We have audited the accompanying statements of assets, liabilities and net position – modified cash basis of Shawnee Conservation District as of June 30, 2017 and the related statements of revenues and expenses, and changes in net position – modified cash basis and the statement of cash flows – modified cash basis for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified 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 the 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 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 District'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 District's internal control. Accordingly, we express no such an 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

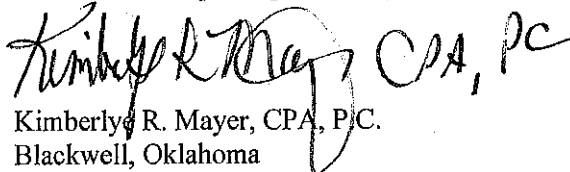
In our opinion, the financial statements referred to above, present fairly, in all material respects, the assets, liabilities and net position of Shawnee Conservation District as of June 30, 2017; the changes in revenues, expenses and changes in net position and of cash flows for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in 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 a report dated October 31, 2017 on our consideration of Shawnee Conservation District's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grants 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 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* in considering Shawnee Conservation District's internal control over financial reporting and compliance.


Kimberly R. Mayer, CPA, P.C.
Blackwell, Oklahoma
October 31, 2017

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
Shawnee Conservation District

We have audited the financial statements of Shawnee Conservation District as of and for the year ended June 30, 2017, and have issued our report thereon dated October 31, 2017. 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. The financial statements were prepared on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shawnee Conservation 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Shawnee Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Shawnee Conservation District's internal control.

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 control deficiencies, in internal control that there is reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shawnee Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 or other matters that are required to be reported under *Government Auditing Standards*.

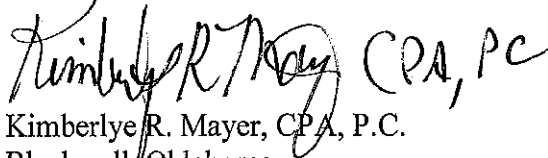
We noted other matters that we reported to the board of directors of Shawnee Conservation District in a separate letter dated October 31, 2017.

Response to Findings

Shawnee Conservation District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Shawnee Conservation 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

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 CPA, P.C.

Kimberlye R. Mayer, CPA, P.C.

Blackwell, Oklahoma

October 31, 2017

SHAWNEE CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017

Material Weakness Communicated in a Prior Year:

Material Weakness in Internal Control Over Financial Reporting: Inadequate Segregation of Duties:

Criteria:

The segregation of duties and responsibilities between different individuals and the reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition:

Presently, the same individual is responsible for service, rental and sales invoices and receiving payments; making and recording deposits; maintaining accounts receivable; and reconciling the monthly bank statements. Only limited oversight is provided over this individual in the conduct of their daily functions.

Cause:

The entity's limited size has made it difficult for management to fully segregate the duties.

Effect or Potential Effect:

Without sufficient segregation of duties, the risk significantly increases that errors and/or fraud related to the billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation:

The board should evaluate the risks associated with the lack of segregation of duties and consider implementing controls that could mitigate these risks.

Board's Response:

The board has concluded that due to the limited number of personnel, an adequate segregation of duties is not achievable and that the cost of correcting the weakness would exceed the benefits that would be derived from it.

FINANCIAL STATEMENTS

AND

NOTES

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

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 36,610
County fund accounts	13,363
Total Current Assets	<u>49,973</u>
Land, buildings and equipment	
(Net of accumulated depreciation) (Note 5)	239,484
Deposits	<u> </u>
Total Assets	<u><u>\$ 289,457</u></u>

LIABILITIES AND NET POSITION

Liabilities:	\$
County loan (Note 9)	86,352
Net Position:	
Net investment in capital assets	153,132
Unrestricted	<u>49,973</u>
Total Net Position	<u>203,105</u>
Total Liabilities and Net Position	<u><u>\$ 289,457</u></u>

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

Revenues:	
OCC reimbursements	\$ 41,648
Cost share received	7,480
Equipment rental	5,697
Sales of roots and seed	2,065
Plat books and map income	98
Custom work	20,303
County sales tax	52,862
Office rent	653
Total Operating Revenues	<u>130,806</u>
Expenses:	
Payroll	44,315
Payroll taxes and employee benefits	4,232
Repairs and maintenance	19,983
Cost share paid	7,480
Telephone and mobile phones	4,004
Office supplies and postage	4,063
Mileage, meetings and travel	4,277
Professional fees	628
Seeds and roots	5,304
Dues, memberships and licenses	1,135
Utilities	5,704
Advertising and promotion	3,243
Fuel	5,787
Director fees	1,530
Insurance	7,701
Depreciation	26,009
Other expenses	1,453
Total Operating Expenses	<u>146,848</u>
Operating Income (Loss)	(16,042)
Nonoperating Revenues (Expenses):	
Interest income	<u>7</u>
Total Nonoperating Revenue (Expenses)	<u>7</u>
Changes in net position	(16,035)
Net position at beginning of year	<u>219,140</u>
Net position at end of year	<u>\$ 203,105</u>

The accompanying report and notes are an integral part of these financial statements.

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

Cash flows from operating activities:	
Cash received from customers	\$ 28,816
Other operating cash receipts	101,990
Cash payments to suppliers for goods and services	(76,524)
Cash payments to employees	<u>(44,315)</u>
Net cash provided (used) by operating activities	9,967
Cash flows from non-capital financing activities:	
Cash flows from capital and related financing activities:	
Acquisition of assets	(103,966)
Principle payments	(13,517)
New borrowings	<u>94,227</u>
Net cash provided (used) by financing activities	(23,256)
Cash flows from investing activities:	
Interest on cash and investments	7
(Increase) decrease in county funds	<u>9,020</u>
Net cash provided (used) by investing activities	<u>9,027</u>
Net increase (decrease) in cash and cash equivalents	(4,262)
Beginning cash and cash equivalents	40,872
Ending cash and cash equivalents	<u><u>\$ 36,610</u></u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:	
Income (Loss) from operations	\$ (16,042)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	26,009
Changes in assets and liabilities:	
Increase in deposits	
Net cash provided (used) by operating activities	<u><u>\$ 9,967</u></u>

The accompanying report and notes are an integral part of these financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Shawnee Conservation District was created under Title 27A, Sections 3-1-101 through 3-3-410, as amended, of the laws of the State of Oklahoma. 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. This basis recognizes assets, liabilities, net position, revenues, and expenditures/expenses when they result from cash transactions with provision for depreciation in the financial statements. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

As 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 investment in capital assets is 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:

Bank balances and certificates of deposit 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 government entities to invest in the following: direct obligations of the United States 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.

SHAWNEE 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 \$26,009. 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	\$ 500	\$	\$	\$ 500
Building & improvements	225,615	2,119		227,734
Machinery and equipment	148,178	101,847	(1,050)	248,975
Office equipment	6,166			6,166
Totals	<u>380,459</u>	<u>103,966</u>	<u>(1,050)</u>	<u>483,375</u>
Accumulated depreciation	(218,932)	(26,009)	1,050	(243,891)
Net	<u>\$ 161,527</u>	<u>\$ 77,957</u>	<u>\$</u>	<u>\$ 239,484</u>

NOTE 6 - 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 up to their allocated amount. Such reimbursements are recognized as revenue when received.

NOTE 7 – RETIREMENT PLAN:

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

NOTE 8 – 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 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. Accordingly, actual results could differ from those estimates.

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

NOTE 9 – NOTES PAYABLE:

The District received a loan of \$16,642 from Pottawatomie County for a vehicle. The interest rate is 0% and the monthly payments are \$500. This note was paid off during the fiscal year ended June 30, 2017.

The District received a loan of 94,227 from Pottawatomie County for equipment. The interest rate is 0% and the monthly payments are \$1,575. Principle payments of \$7,875 were made during the fiscal year ended June 30, 2017. The balance of this note at June 30, 2017 was \$86,352. The following is a schedule of future payments:

<u>Years</u>	<u>Amounts</u>
6/30/18	\$ 18,900
6/30/19	18,900
6/30/20	18,900
6/30/21	18,900
6/30/22	<u>10,752</u>
Totals	<u>\$ 86,352</u>

NOTE 10 – 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 notes payable. 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 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 loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

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

NOTE 12 – 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 statements.

NOTE 13 – COUNTY SALES TAX:

Pottawatomie County appropriates one percent (1%) of the one-cent sales tax collections for use by the two conservation districts in the county. Shawnee Conservation District receives two-thirds of the collections to be used for maintenance/operations and/or capital outlay. The account is maintained by Pottawatomie County and all purchases requested by Shawnee Conservation District are approved by a budget board. For the fiscal year ended June 30, 2017, Shawnee Conservation District received \$52,862 for supplies, maintenance, operations and loan payments. The balance in the account handled by Pottawatomie County at June 30, 2017 was \$13,363.

NOTE 14 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through October 31, 2017 the date which the financial statements were available to be issued.