

LEFLORE COUNTY CONSERVATION DISTRICT

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

LEFLORE COUNTY CONSERVATION DISTRICT
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YEAR ENDED JUNE 30, 2016

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Independent Auditor's Report

Board of Directors
LeFlore County Conservation District

Report on the Financial Statements

We have audited the accompanying statement of assets, liabilities and net position of LeFlore County Conservation District as of June 30, 2016 and the related statements of revenues, expenses and changes in net position and of cash flows 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

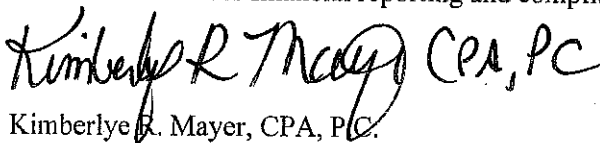
In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position - modified cash basis of LeFlore County Conservation District, as of June 30, 2016; the changes in financial position - modified cash basis; and, of, cash flows thereof, for the 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 26, 2016 on our consideration of LeFlore County 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 LeFlore County Conservation District's internal control over financial reporting and compliance.

 CPA, PC

Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
October 26, 2016

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
LeFlore County Conservation District

We have audited the financial statements of LeFlore County Conservation District as of and for the year ended June 30, 2016 and have issued our report thereon dated October 26, 2016. 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. 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 LeFlore County 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 LeFlore County Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the LeFlore County Conservation 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 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.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

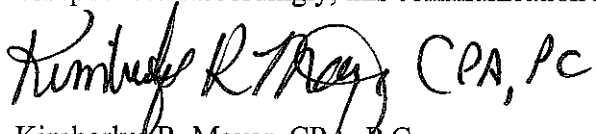
As part of obtaining reasonable assurance about whether LeFlore County Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct 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*.

Response to Findings

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

A handwritten signature in black ink, reading "Kimberley R. Mayer, CPA, P.C.", is written over the printed name.

Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
October 26, 2016

LEFLORE COUNTY CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 20, 2016

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 invoicing 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 water 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

LEFLORE COUNTY CONSERVATION DISTRICT
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2016

ASSETS

Current Assets:	
Checking account	\$ 725
Certificates of deposit	8,510
Total Cash and Cash Equivalents	<u>9,235</u>
 Caston Mountain funds	 253,412
Risenhoover Scholarship funds	1,990
Total Current Assets	<u>264,637</u>
 Property and equipment	
(Net of accumulated depreciation) (Note 5)	<u>4,579</u>
 Total Assets	 <u><u>\$ 269,216</u></u>

LIABILITIES AND NET POSITION

Liabilities:	\$
 Net Position:	
Net investment in capital assets	4,579
Restricted	255,402
Unrestricted	9,235
Total Net Position	<u>269,216</u>
 Total Liabilities and Net Position	 <u><u>\$ 269,216</u></u>

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

LEFLORE COUNTY CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2016

Revenues:	
OCC reimbursements	\$ 77,606
Cost share received	13,803
Custom work	8,934
Sales of trees	2,819
Grant income	10,000
Sponsorships	599
Other income	138
Total Operating Revenues	<u>113,899</u>
Expenses:	
Payroll	74,030
Payroll taxes and employee benefits	7,695
Repairs and maintenance	2,252
Telephone and mobile phones	841
Office supplies and postage	951
Director fees	275
Meetings and travel	2,980
Professional fees	548
Tree purchases	2,583
Dues, advertising and memberships	1,135
Utilities	434
Shop rent	600
Fuel	1,586
Conservation education	855
Cost share paid	13,803
Insurance	3,362
Depreciation	3,812
Scholarships	500
Other expenses	25
Total Operating Expenses	<u>118,267</u>
Operating Income (Loss)	(4,368)
Nonoperating Revenues (Expenses):	
Interest income	938
Donation to LeFlore school	(3,519)
Total Nonoperating Revenue (Expenses)	<u>(2,581)</u>
Changes in net position	(6,949)
Net position at beginning of year	<u>276,165</u>
Net position at end of year	<u>\$ 269,216</u>

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

LEFLORE COUNTY CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2016

Cash flows From Operating Activities:

Cash received from customers	\$ 12,490
Other operating cash receipts	101,409
Cash payments to suppliers for goods and services	(40,425)
Cash payments to employees	(74,030)
Net cash provided (used) by operating activities	<u>(556)</u>

Cash flows from non-capital financing activities:

Cash flows from capital and related financing activities:

Net cash provided (used) by financing activities

Cash flows from investing activities:

(Increase) decrease in funds	250
Interest on cash and investments	938
(Increase) decrease in certificates of deposit	(876)
Net cash provided (used) by investing activities	<u>312</u>

Net increase (decrease) in cash and cash equivalents (244)

Beginning cash and cash equivalents 9,479

Ending cash and cash equivalents \$ 9,235

Reconciliation of income (loss) from operations to
net cash provided (used) by operating activities:

Income (Loss) from operations	\$ (4,368)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	3,812
Changes in assets and liabilities:	
Increase in deposits	<u> </u>
Net cash provided (used) by operating activities	<u><u>\$ (556)</u></u>

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

LEFLORE COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Leflore County 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 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 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 positions are 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. Restricted net assets at June 30, 2016 consists of the Caston Mountain funds of \$253,412, and the Risenhoover Scholarship funds of \$1,990.

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, 2016 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.

LEFLORE COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE 9 – 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 Corporation manages 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.

NOTE 10 - FAIR VALUE 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 certificates of deposit. 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 – CONTINGENCIES:

As of June 30, 2016, 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 12 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through October 26, 2016, the date which the financial statements were available to be used.