

Compilation

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CLERK OF DISTRICT COURT

**LATIMER COUNTY
CONSERVATION DISTRICT #84**

FINANCIAL STATEMENTS

JUNE 30, 2011

LATIMER COUNTY CONSERVATION DISTRICT #84

JUNE 30, 2011

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LATIMER COUNTY CONSERVATION DISTRICT #84

LIST OF PRINCIPAL OFFICIALS

Board of Directors

Chairman	Walter Squires
Vice-Chairman	Jim Enis
Secretary-Treasurer	Jim Grego
Member	John Booth
Member	Russell Shaw

District Manager

Donna Hanebrink

Equipment District Manager

Robert Hunnicutt

Education Specialist

Nicole Norris

DAVID F. HEDGES, CPA

P. O. Box 286
101 North Main
Spiro, Oklahoma 74959

Member:
American Institute of CPA'S
Oklahoma Society of CPA'S

Phone (918) 962-2401
Fax (918) 962-2438

Board of Directors
Latimer County Conservation District #84

I have compiled the accompanying statement of net assets – modified cash basis of Latimer County Conservation District #84 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. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the modified cash basis of accounting.

The Latimer County Conservation District #84 is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has omitted the management's discussion and analysis information that is required to be presented for purposes of additional analysis. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Spiro, Oklahoma
October 10, 2011



**LATIMER COUNTY CONSERVATION DISTRICT #84
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2011**

ASSETS

Current Assets:

Cash and Cash Equivalents	28,050
Total Current Assets	<u>28,050</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	12,394
Capital Assets:	
Buildings	151,637
Furniture and Fixtures	350
Equipment	78,164
Vehicles	8,750
Land	27,840
Less Accumulated Depreciation	<u>(80,504)</u>
Total Net Capital Assets	<u>186,237</u>

Total Noncurrent Assets 198,631

Total Assets 226,681

LIABILITIES

Current Liabilities:

Payroll Taxes Withheld	2,819
Current Portion of Capital Lease	<u>12,161</u>
Total Current Liabilities	<u>14,980</u>

Noncurrent Liabilities:

Capital Lease	<u>131,974</u>
Total Noncurrent Liabilities	<u>131,974</u>

TOTAL LIABILITIES 146,954

NET ASSETS:

Invested in Capital Assets, Net of Related Debt	42,102
Unrestricted	<u>37,625</u>
Total Net Assets	<u>79,727</u>

See accompanying notes and accountant's compilation report

**LATIMER COUNTY CONSERVATION DISTRICT #84
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

OPERATING REVENUES:	
Oklahoma Conservation Commission	67,442
Equipment Rental & Sprigging	1,104
Custom Work	5,475
Tree Sales	568
Seed Sales	1,716
Watershed Operation/Maintenance	4,629
Eastern OK Ag Trade Show	4,405
Miscellaneous	5,155
Total Operating Revenues	<u>90,494</u>
OPERATING EXPENSES:	
Dues & Assessments	300
Directors' Meeting Expense	1,400
Postage/Office Supplies	793
Education/Meeting Expense	2,146
Audit Fee	1,700
Watershed Operation/Maintenance	4,591
Utilities & Telephone	1,337
District Salaries & Related Costs	71,673
Equipment Rental & Sprigging	85
Equipment Maintenance & Repair	2,196
Fuel	1,137
Office Expense	702
Insurance	644
Conservation Education Supplies	873
Building & Maintenance	79
Tree Purchases	442
Eastern OK Ag Trade Show Expense	3,170
Seed Purchases	1,570
Custom Work Expenses	19
Miscellaneous	1,788
Depreciation	3,302
Total Operating Expenses	<u>99,947</u>
Operating Income	(9,453)
NONOPERATING REVENUES (EXPENSES):	
Interest Income	<u>645</u>
Total Nonoperating Revenues (Expenses)	<u>645</u>
Changes in Net Assets	(8,808)
Net Assets - Beginning of the Year	88,535
Net Assets - End of the Year	<u><u>79,727</u></u>

See accompanying notes and accountant's compilation report

LATIMER COUNTY CONSERVATION DISTRICT #84
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, 2003. Prior to July 1, 2003, the District’s assets were not capitalized. Assets acquired since July 1, 2003 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

LATIMER COUNTY CONSERVATION DISTRICT #84
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.

LATIMER COUNTY CONSERVATION DISTRICT #84
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, 2011. 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.

LATIMER COUNTY CONSERVATION DISTRICT #84
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Custody Credit Risk Category

Type of Deposits	Balance	Total Bank			Total Carrying Value
		1	2	3	
Insured deposits	\$ 54,122	\$ 54,122	-	-	\$ 40,444

Reconciliation to Statement of Net Assets:

Cash and Cash Equivalents	28,050
Restricted Cash and Cash Equivalents	12,394
Total Cash and Certificates of Deposit	<u>\$ 40,444</u>

3.B. RESTRICTED ASSETS

The amounts reported as restricted assets are composed of amounts held for the Outdoor Classroom of \$2,630, Building Fund of \$2,558 Scholarship Fund of \$1,550, Eastern Okla Ag Trade Show of \$5,114 and Educational Fund of \$542.

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>07/01/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>06/30/2011</u>
Capital assets not being depreciated:				
Buildings (under renovation)	0	133,887	0	133,887
Land	1,000	26,840	0	27,840
Total capital assets not being depreciated	<u>1,000</u>	<u>160,727</u>	<u>0</u>	<u>161,727</u>
Other capital assets:				
Buildings	17,750	0	0	17,750
Furniture & Fixtures	350	0	0	350
Equipment	78,164	0	0	78,164
Vehicles	8,750	0	0	8,750
Total other capital assets at historical cost	<u>105,014</u>	<u>0</u>	<u>0</u>	<u>105,014</u>
Less accumulated depreciation for:				
Buildings	10,878	444	0	11,322
Furniture & Fixtures	350	0	0	350
Equipment	57,224	2,858	0	60,082
Vehicles	8,750	0	0	8,750
Total accumulated depreciation	<u>77,202</u>	<u>3,302</u>	<u>0</u>	<u>80,504</u>
Other capital assets, net	<u>27,812</u>	<u>(3,302)</u>	<u>0</u>	<u>24,510</u>
Capital assets, net	<u>28,812</u>	<u>157,425</u>	<u>0</u>	<u>186,237</u>

The district purchased an office building in December 2010 and is in the process of renovation. The building and improvements to date will be moved to depreciable assets upon completion of renovation.

LATIMER COUNTY CONSERVATION DISTRICT #84
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

3.D. LONG TERM LIABILITIES

Outstanding Debt
June 30, 2011

Promissory note due to Choctaw Nation of Oklahoma in the amount of \$150,000 with a interest rate of 5% . 119 monthly payments of principal and interest of \$1,590.97 and one final payment of principal and interest of \$1,631.13 due December 2020. Note is secured by mortgage on office building and 6.71 acres.	<u>144,135</u>
 Total Note Payable Outstanding	 \$ <u>144,135</u>
Current portion	\$ 12,161
Non-current portion	<u>131,974</u>
Total Notes Payable	\$ <u>144,135</u>

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

	<u>Balance at</u> <u>7/1/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>6/30/2011</u>
Notes Payable	<u>0</u>	<u>150,000</u>	<u>5,865</u>	<u>144,135</u>
Total	<u>0</u>	<u>150,000</u>	<u>5,865</u>	<u>144,135</u>

A summary of future long term debt maturities for five years and to maturity are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	12,161	6,931
2013	12,783	6,308
2014	13,437	5,654
2015	14,125	4,967
2016	14,848	4,244
2013	<u>76,781</u>	<u>9,119</u>
Total	<u>144,135</u>	<u>37,223</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 \$2,052 to the OPERS.

**LATIMER COUNTY CONSERVATION DISTRICT #84
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 \$66,664, which was the same amount as 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 \$4,143.

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
Torts, errors and omissions	Coverage provided by Oklahoma Conservation Commission through Compsource	None
Injuries to employees (workers' compensation)	Coverage provided by Oklahoma Conservation Commission through Compsource	None
Physical property loss and natural disasters	Purchased commercial insurance package	None

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.

LATIMER COUNTY CONSERVATION DISTRICT #84
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

4.B. ECONOMIC DEPENDENCY

Approximately 74% 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 10, 2011, the compilation 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.