

**Texas County Conservation District**

Audit Report  
for the Year Ended June 30, 2017

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Board of Directors  
Texas County Conservation District  
HCR 4 Box 120  
Guymon, OK 73942

I have audited the accompanying financial statements of Texas County Conservation District as of and for the year ended June 30, 2017, and the related notes to the 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 accounting principles generally accepted in the United States of America; this includes 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 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, I 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.

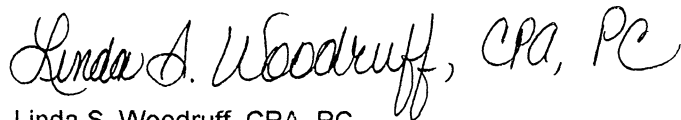
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas County Conservation District as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing**

In accordance with *Government Auditing Standards*, I have also issued my reports dated December 6, 2017 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purposes of that report is to describe the scope of my testing of internal control over financial reporting and compliance and results of that testing, and to not 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 compliance.



Linda S. Woodruff, CPA, PC

Oklahoma City, Oklahoma  
December 6, 2017

**Texas County Conservation District**  
Guymon, Oklahoma

Basic Financial Statements  
June 30, 2017

**Texas County Conservation District  
Statement of Net Position  
Proprietary Fund  
June 30, 2017**

<b>Current Assets</b>		
Checking Account	\$ 148,319.86	
Cash on Hand	1,338.16	
Certificates of Deposit	146,657.84	
Money Market Account	84,035.77	
Accounts Receivable	651.93	
Claims Receivable	5,179.63	
Interest Receivable	166.90	
Inventory	7,883.28	
Prepaid Insurance	5,012.66	
Prepaid Sales Tax	181.31	
Total Current Assets	\$ 399,427.34	
 <b>Capital Assets</b>		
Building /Improvements/Land	626,617.55	
Equipment	96,821.35	
Accumulated Depreciation	(527,833.36)	
Total Capital Assets	195,605.54	
 <b>Deferred Outflows of Resources</b>		
Total Deferred Outflows	-	-
<b>Total Assets</b>	<b>\$ 595,032.88</b>	

The accompanying notes are an integral part of the basic financial statements.

**Texas County Conservation District**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2017**

<b>Current Liabilities</b>			
Accounts Payable	\$	383.83	
Accrued Taxes		1,264.68	
Compensated Absences		<u>6,617.25</u>	
Total Current Liabilities			\$ 8,265.76
<b>Long Term Liabilities</b>			
Total Long Term Liabilities			<u>-</u>
<b>Total Liabilities</b>			8,265.76
<b>Deferred Inflows of Resources</b>			
Total Deferred Resources			-
<b>Net Position</b>			
Invested in:			
Capital Assets-Restricted		195,605.54	
Unrestricted Position		<u>391,161.58</u>	
Total Net Position			<u>586,767.12</u>
<b>Total Liabilities and Net Position</b>			<u><u>\$ 595,032.88</u></u>

The accompanying notes are an integral part of the basic financial statements.

**Texas County Conservation District**  
**Statement of Revenue, Expenses, & Changes in Net Position**  
**Proprietary Fund**  
**June 30, 2017**

<b>Revenue</b>		
Reimbursement by State	\$ 52,453.63	
Seed	40,838.70	
Rent - Building	51,300.00	
Sales & Service	1,964.93	
Tree Sales	1,052.00	
Rent - Equipment	10,288.80	
Total Revenue	10,288.80	\$ 157,898.06
<b>Expenses</b>		
Salaries	51,173.83	
Seed	31,055.82	
Cost Share Payment	13,734.93	
Utilities	12,343.28	
Trees & Supplies	2,282.39	
Janitorial	7,361.20	
Insurance	6,439.34	
Repairs & Maintenance	5,672.73	
Meeting Expense	214.94	
Office Expense	2,020.83	
Education Expense	3,304.99	
Professional Fees	1,016.75	
Dues & Publications	900.00	
Miscellaneous	1,002.86	
Advertising	802.99	
Total Expenses	802.99	139,326.88
<b>Operating Income (Loss)</b>		18,571.18
<b>Non-Operating Income (Expense)</b>		
Interest Income	1,032.18	
Prior Period - Sales Tax Adjustment	(71.07)	
Grant Income	8,000.00	
Depreciation	(30,953.16)	
Total Other Income (Expense)	(30,953.16)	(21,992.05)
<b>Change in Net Position</b>		(3,420.87)
<b>Net Position - Beginning of Year</b>		590,187.89
<b>Net Position - End of Year</b>		\$ 586,767.02

The accompanying notes are an integral part of the basic financial statements.



**Texas County Conservation District  
Statement of Cash Flow  
Proprietary Fund  
June 30, 2017**

Cash Flow from Operating Activities	
Cash Payments for Services	\$ 166,832.84
Cash Payments to Suppliers for Goods and Contractors and Other Services	(142,440.40)
Net Cash Provided by Operating Activities	<u>24,392.44</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition & Construction of Capital Assets	(44,090.17)
Grant Income	8,000.00
Net Cash Used in Capital and Financial Activities	(36,090.17)
Cash Flows from Investing Activities	
Interest Income	1,032.28
Net Cash Provided by Investing Activities	<u>1,032.28</u>
Net Increase (Decrease) in Cash	(10,665.45)
Cash and Cash Equivalents - Beginning of Year	<u>391,017.08</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 380,351.63</u></u>
Reconciliation of Operation Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	(12,453.05)
Adjustments to Reconcile Net Income to Operating Cash Provided by Operating Activities	
Depreciation	30,953.16
(Increase) Decrease in Assets	
Inventory	86.82
Claims Receivable	(3,227.12)
Interest Receivable	(166.90)
Prepaid Insurance	135.34
Prepaid Sales Tax	(181.31)
Accounts Receivable	9,384.78
Increase (Decrease) in Liabilities:	
Compensated Absences	(118.71)
Taxes Payable	85.72
Accounts Payable	(106.29)
Total Adjustments	<u>36,845.49</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u><u>\$ 24,392.44</u></u></b>

The accompanying notes are an integral part of the basic financial statements.

**Texas County Conservation District  
Guymon, Oklahoma**

**Notes to Financial Statements**

Organization

The Texas County Conservation District is a statutory district of the State of Oklahoma operating under the Oklahoma Conservation Commission. The District was created to implement soil conservation measures, and is financed by user charges and state governmental reimbursements.

Note 1 – Summary of Significant Accounting Principles

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net position. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Depreciation expense provides for capital assets based upon estimated useful lives.

**Fund Accounting**

The operations of the District constitute an enterprise fund, a proprietary fund type. Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis is being financed or recovered primarily through user charges. The District's fund is accounted for on the flow of economic resources measurement focus and uses the accrual method of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The remaining costs are reimbursed by the State Conservation group.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**Texas County Conservation District  
Guymon, Oklahoma**

**Notes to Financial Statements**

Note 1 – Summary of Significant Accounting Principles – Continued

**Cash Equivalents and Investments**

*1. Deposits and Investments*

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

On June 30, 2017, the District held deposits of approximately \$380,352 at financial institutions. The District's cash deposits including interest-bearing certificates of deposit are not entirely covered by Federal Depository Insurance (FDIC) or direct obligations of the United States Government insured or collateralized with securities held by the District or by its agent in the District's name. \$129,013 is at risk.

*2. Fair Value of Financial Instruments*

The District's financial instruments include cash and cash equivalents, investments, and accounts receivable. The District's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values 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 2 – Income Tax

As a special district of a state government, the district is exempt from State and Federal income taxes.

Note 3 – Employee Benefits

**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 contributions from covered employees.

Based on state statute, employees covered by the pension plan must contribute 3.5% of their gross earnings to the pension fund. The state is required to contribute 16.5% of gross earnings to the plan. All required contributions are paid through the Oklahoma Conservation Commission and the local district does not fund any part of the pension plan.

**Post-Employment Healthcare Benefits**

The District does not provide post-employment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and the District incurs no direct costs.

**Texas County Conservation District  
Guymon, Oklahoma**

**Notes to Financial Statements**

Note 4 – Compensated Absences

District employees are entitled to vacation and sick leave benefits in varying amounts based on their length of employment. It is the District's policy to permit employees to accumulate earned but unused absences to specified maximums. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned. Generally, employees are entitled to all accrued vacation leave upon termination. Employees are not compensated for unused sick leave upon termination. At the option of the employee, compensatory time off may be taken in lieu of cash payment for overtime worked. The expense and related liability for vested vacation benefits and compensatory time are recorded in the District's financial statements as a current liability and the related payroll expense.

Note 5 – Property and Equipment

The District owns various equipment that is rented to individuals on an as needed basis. Additions to equipment are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The District does not maintain a capitalization threshold.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Office Equipment.....	7 years
Equipment.....	10 years
Building.....	40 years

Capital asset activity for the year is as follows:

	Balance 6/30/2016	Addition	Disposals	Balance 6/30/2017
Depreciable Assets				
Equipment	\$ 96,821.35	\$ -	\$ -	\$ 96,821.35
Building &	582,527.38	44,090.17	-	626,617.55
Total	679,348.73	44,090.17	-	723,438.90
Accumulated Depreciation				
Equipment	65,690.37	10,021.39	-	75,711.76
Building &	431,189.83	20,931.77	-	452,121.60
Total	496,880.20	30,953.16	-	527,833.36
Net Depreciable Assets	\$ 182,468.53	\$ 13,137.01	\$ -	\$ 195,605.54

Note 6 – Subsequent Events

Management has evaluated subsequent events through the compilation report date, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

A Professional Corporation

**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***

Texas County Conservation District  
HCR 4 Box 120  
Guymon, OK 73942

I 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 financial statements of the business-type activities, of Texas County Conservation District, State of Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Texas County Conservation District, State of Oklahoma's, basic financial statements and have issued my report thereon dated December 6, 2017.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Texas County Conservation District, State of Oklahoma's, internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Texas County Conservation District, State of Oklahoma's, internal control. Accordingly, I do not express an opinion on the effectiveness of Texas County Conservation District, State of Oklahoma'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 a 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. *A significant defiance* is a defiance 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section 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 responses, I identified certain deficiencies in internal control that I consider to be material weaknesses. 2017-01

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Texas County Conservation District, State of Oklahoma's, financial statements are free from material misstatement, I performed tests of its 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 an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2017-2.

**Texas County Conservation Districts , Response to Findings**

Texas County Conservation District's, State of Oklahoma's, response to the findings identified in my audit is described in the accompanying schedule of findings and responses. Texas County Conservation District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and 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.

*Linda S. Woodruff, CPA, P.C.*

Linda S Woodruff CPA, PC

Oklahoma City, Oklahoma  
December 6, 2017

**Texas County Conservation District**  
Guymon, Oklahoma

Schedule of Findings & Responses

2017-01 Internal Control – Segregation of Duties

Condition: An adequate internal control structure does not exist because of the small size of the entity nor is there adequate segregation of duties.

Criteria: Internal controls should be in place that provides reasonable assurance that any one individual does not have control over several of the financial functions of the District.

Effect: Because of the inadequate segregation of duties, an opportunity exists for an employee to alter record keeping.

Recommendation: I recommend that the District strive to implement more segregation of duties where possible and utilize compensating procedures where applicable.

Response: Management agrees with the recommendation, but economic cost could exceed the benefit.

2017-02 Compliance – Pledged Collateral

Condition: The District has deposits that are exposed to potential loss since they are uninsured either through FDIC or pledged collateral as required under governmental accounting of standards Board statement number 40.

Criteria: Controls should be in place to ensure that cash accounts are fully protected by FDIC or collateral pledged by the financial institution.

Effect: A balance of \$129,013 was not insured at the end of the fiscal year, Because cash balances fluctuates during the monthly cycle, this uninsured amount could increase resulting in a loss of funds.

Recommendation: Request additional pledged collateral from the financial institution.

Response: Management concurs with this recommendation and has contacted their financial institution.