

**Ellis County Conservation District**

**Audit Report  
for the Year Ended June 30, 2015**

CONTENTS

	PAGE
Independent Auditor's Report.....	3
Statement of Net Position.....	5
Statement of Revenue, Expenses, & Change in Net Position.....	7
Statement of Cash Flow .....	8
Notes to Financial Statements .....	9
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	13
Schedule of Findings & Responses.....	15

To the Board of Directors  
Ellis County Conservation District  
PO Box 298  
Arnett, Oklahoma 73832

## INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of the business-type activities of Ellis County Conservation District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic 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 opinions 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 respective financial position of the business-type activities of the Ellis County Conservation District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 3, 2015, 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 and grant agreements and other matters. The purpose of that report is to describe the scope of my 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* and should be considered in assessing the results of my audit.

The Ellis County Conservation District has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although, not required to be part of, the basic financial statements.

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

Oklahoma City, Oklahoma 73172  
December 3, 2015

**Ellis County Conservation District**  
**Statement of Net Position**  
**June 30, 2015**

**Current Assets**

Operating Account	\$ 61,464.54
Petty Cash	294.53
Savings Account	7,706.65
Certificate of Deposit	159,137.85
Prepaid Insurance	1,917.12
Inventory	1,335.20
Accounts Receivable	235.00
Utility Deposit	25.00
State Claims Receivable	2,441.54
Interest Receivable	113.88
<b>Total Current Assets</b>	<b>\$ 234,671.31</b>

**Capital Assets**

Equipment (Note 1)	121,226.02
Building & Fixtures (Note 1)	259,350.10
Vehicles	24,093.00
Land	7,000.00
Less: Depreciation Reserve	<u>(390,908.56)</u>
<b>Total Capital Assets</b>	<b><u>20,760.56</u></b>

**Total Assets** **\$ 255,431.87**

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

**Ellis County Conservation District**  
**Statement of Net Position**  
**June 30, 2015**

**Current Liabilities**

Accounts Payable	\$	810.43	
Accrued Payroll Taxes		704.48	
Compensated Absences		697.20	
Sales Tax Payable		26.33	
<b>Total Current Liabilities</b>	<b>\$</b>		<b>2,238.44</b>

**Long Term Liabilities**

Total Long Term Liabilities

**Total Liabilities**

2,238.44

**Net Position**

Invested Capital Assets	20,760.56
Unrestricted	232,432.87

**Total Net Position**

**\$ 253,193.43**

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

**Ellis County Conservation District**  
**Statement of Revenue, Expenses, and Changes in Net Position**  
**June 30, 2015**

<b>Revenue</b>		
Reimbursement by State	\$	32,206.17
Rent Building		42,735.96
Cost Share Income		6,000.00
Custom Work		
Equipment Rental		830.00
Plat Books		858.52
Total Revenue		\$ 82,630.65
<b>Expenses</b>		
Salaries/Taxes/Benefits		27,003.80
Cost Share Expense		6,000.00
Maintenance/Repair		5,144.53
Contract Labor		950.00
Taxes Other		287.45
Utilities/Telephone		8,846.62
Meeting Expense		1,452.37
Supplies		2,778.38
Insurance		6,074.60
Dues/Publications/Licenses		882.75
Office Expense		958.55
Accounting		900.00
Advertising		711.02
Education Expense		1,684.23
Plat Book Expense		755.23
Total Expenses		64,429.53
<b>Operating Income (Loss)</b>		18,201.12
<b>Other Income (Expense)</b>		
Interest Income		507.46
Royalty Income		256.67
Depreciation		(13,684.12)
Total Other Income (Expense)		(12,919.99)
<b>Change in Net Position</b>		5,281.13
Prior Period Adjustment		1,104.93
<b>Net Position at Beginning of Year</b>		246,807.37
<b>Net Position at End of Year</b>		\$ 253,193.43

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

**Ellis County Conservation District**  
**Statement of Cash Flow**  
**June 30, 2015**

<b>Cash Flow from Operating Activities</b>		
Cash Payments for Services	\$	82,615.65
Cash Payments to Suppliers for Goods and Contractors and Other Services		(70,110.63)
Net Cash Provided by Operating Activities		12,505.02
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition & Construction of Capital Assets		1,104.93
Prior Period Adjustment		1,104.93
Net Cash Used in Capital and Financial Activities		1,104.93
<b>Cash Flows from Investing Activities</b>		
Royalty Income		256.67
Interest Income		507.46
Net Cash Provided by Investing Activities		764.13
Net Increase (Decrease) in Cash		14,374.08
Cash and Cash Equivalents at Beginning of Year		214,229.49
Cash and Cash Equivalents at End of Year	\$	228,603.57
<b>Reconciliation of Operation Income to Net Cash Provided by Operating Activities</b>		
Operating Income (Loss)		4,517.00
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</b>		
Depreciation		13,684.12
Changes in Assets & Liabilities		
(Increase) Decrease in Claims Receivable		312.47
(Increase) Decrease in Prepaid Insurance		5.72
(Increase) Decrease in Accounts Receivable		(15.00)
(Increase) Decrease in Interest Receivable		(1.31)
(Increase) Decrease in Inventory		(343.60)
Increase (Decrease) in Accrued Payroll Taxes		(35.72)
Increase (Decrease) in Compensated Absences		(6,286.80)
Increase (Decrease) in Sales Tax Payable		(53.58)
Increase (Decrease) in Accounts Payable		721.72
Total Adjustments		7,988.02
Net Cash Provided by Operating Activities	\$	12,505.02

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

## Ellis County Conservation District Notes to Financial Statements

### Organization

The Ellis 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 in Ellis County, State of Oklahoma, 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 assets. 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.

**Ellis County Conservation District**  
**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.

*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 assets. 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. Oklahoma Conservation Commission pays all the required contributions 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.

**Ellis County Conservation District  
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 is recorded in the District's financial statements.

Note 5 – Property and Equipment

The District owns various equipment which 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 maintains a \$500 capitalization threshold.

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

Equipment.....	10 years
Office Equipment .....	5 years
Buildings & Improvements.....	50 years
Vehicles .....	5 years

Capital asset activity for the year is as follows:

	Balance 6/30/2014	Addition	Disposals	Balance 6/30/2015
<b>Depreciable Assets</b>				
Vehicles	\$ 24,093.00	\$ -	\$ -	\$ 24,093.00
Land	7,000.00	-	-	7,000.00
Equipment	121,226.02	-	-	121,226.02
Building	259,350.10	-	-	259,350.10
Total	411,669.12	-	-	411,669.12
<b>Accumulated Depreciation</b>				
Vehicles	24,093.00	-	-	24,093.00
Land	-	-	-	-
Equipment	93,745.50	5,379.99	-	99,125.49
Building	259,385.94	8,304.13	-	267,690.07
Total	377,224.44	13,684.12	-	390,908.56
<b>Net Depreciable Assets</b>	<b>\$ 34,444.68</b>	<b>\$ (13,684.12)</b>	<b>\$ -</b>	<b>\$ 20,760.56</b>

Note 7-Subsequent Events

Management has evaluated subsequent events through the date of the audit report, 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.

**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***

To the Board of Directors  
Ellis County Conservation District  
PO Box 298  
Arnett, Oklahoma 73832

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 Ellis County Conservation District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Ellis County Conservation District's basic financial statements and have issued my report thereon dated December 3, 2015.

**Internal Control Over Financial Reporting**

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

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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies.

2015-1

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ellis County Conservation District'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Ellis County Conservation District's Response to Findings**

Ellis County Conservation District's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Ellis 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, PC*

Linda S Woodruff CPA, PC

Oklahoma City, Oklahoma 73172

December 3, 2015

Ellis County Conservation District  
Arnett, Oklahoma

Schedule of Findings and Responses  
June 30, 2015

2015-01. Internal Control

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 provide 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. The economic benefits received from segregation of duties may be less than the cost of the implementation.