

Texas County Conservation District

Audit Report
for the Year Ended June 30, 2014

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Independent Auditor's Report

To the Board of Directors
Texas County Conservation District
HCR 4 Box 120
Guymon, Oklahoma 73942

I have audited the accompanying financial statements of the business-type activities of Texas County Conservation District as of and for the year ended June 30, 2014, 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.

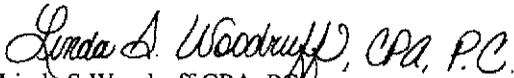
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 Texas County Conservation District as of June 30, 2014, 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 18, 2014, 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 Texas 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.

Oklahoma City, Oklahoma 73172-1578
December 18, 2014

**Texas County Conservation District
Statement of Net Position
Proprietary Fund
June 30, 2014**

Current Assets		
Checking Account	\$ 18,595.07	
Cash on Hand	86.20	
Certificates of Deposit	144,690.62	
Money Market Account	83,493.48	
Accounts Receivable	5,043.74	
Claims Receivable	3,568.08	
Inventory	3,944.49	
Prepaid Insurance	5,455.79	
Total Current Assets	\$ 264,877.47	
 Capital Assets		
Building /Improvements/Land	582,527.38	
Equipment	92,821.35	
Accumulated Depreciation	(428,008.39)	
Total Capital Assets	247,340.34	
 Deferred Outflows of Resources		
Total Deferred Outflows	-	
 Total Assets		\$ 512,217.81

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

**Texas County Conservation District
Statement of Net Position
Proprietary Fund
June 30, 2014**

Current Liabilities		
Accounts Payable	\$	909.32
Accrued Taxes		1,204.04
Compensated Absences		6,735.92
Total Current Liabilities		\$ 8,849.28
 Long Term Liabilities		
Total Long Term Liabilities		-
Total Liabilities		8,849.28
 Deferred Inflows of Resources		
Total Deferred Inflows		-
 Net Position		
Invested in		
Capital Assets - Restricted		247,340.34
Unrestricted Position		256,077.05
Total Net Position		\$ 503,417.39

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, 2014

Revenue		
Reimbursement by State	\$ 53,373.80	
Seed	31,426.44	
Rent - Building	55,375.00	
Sales & Service	4,215.87	
Tree Sales	1,683.65	
Rent - Equipment	3,040.00	
Total Revenue	149,114.76	\$ 149,114.76
Expenses		
Salaries	84,232.08	
Seed	24,229.95	
Utilities	13,371.30	
Trees & Supplies	5,045.93	
Janitorial	7,516.23	
Insurance	6,755.08	
Repairs & Maintenance	3,508.68	
Meeting Expense	2,859.91	
Office Expense	2,632.10	
Education Expense	1,319.74	
Professional Fees	1,402.96	
Dues & Publications	1,059.85	
Advertising	725.26	
Total Expenses	154,659.07	154,659.07
Operating Income (Loss)		(5,544.31)
Non-Operating Income (Expense)		
Donations	(200.00)	
Interest Income	923.94	
Grant Income	9,000.00	
Depreciation	(32,558.67)	
Total Other Income (Expense)	(22,834.73)	(22,834.73)
Change in Net Position		(28,379.04)
Prior Year Adjustment- Inventory Correction		20.20
Net Position - Beginning of Year		531,776.23
Net Position - End of Year		\$ 503,417.39

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

**Texas County Conservation District
Statement of Cash Flow
Proprietary Fund
June 30, 2014**

Cash Flow from Operating Activities	
Cash Payments for Services	\$ 146,550.96
Cash Payments to Suppliers for Goods and Contractors and Other Services	<u>(143,574.26)</u>
Net Cash Provided by Operating Activities	2,976.70
 Cash Flows from Capital and Related Financing Activities	
Acquisition & Construction of Capital Assets	(10,004.18)
Donation	(200.00)
Prior Period Adjustment	<u>(20.20)</u>
Net Cash Used in Capital and Financial Activities	(10,224.38)
 Cash Flows from Investing Activities	
Interest Income	<u>923.94</u>
Net Cash Provided by Investing Activities	923.94
 Net Increase (Decrease) in Cash	(6,323.74)
 Cash and Cash Equivalents - Beginning of Year	<u>253,189.11</u>
 Cash and Cash Equivalents - End of Year	<u><u>\$ 246,865.37</u></u>
 Reconciliation of Operation Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	(29,102.98)
 Adjustments to Reconcile Net Income to Operating Cash Provided by Operating Activities	
Depreciation	32,558.67
Changes in Assets & Liabilities	
(Increase) Decrease in Inventory	1,499.18
(Increase) Decrease in Claims Receivable	1,622.35
(Increase) Decrease in Prepaid Insurance	(598.42)
(Increase) Decrease in Accounts Receivable	(2,563.80)
Increase (Decrease) in Taxes Payable	(963.32)
Increase (Decrease) in Accounts Payable	(6,210.94)
Increase (Decrease) in Compensated Absences	<u>6,735.96</u>
Total Adjustments	32,079.68
 Net Cash Provided by Operating Activities	 <u><u>\$ 2,976.70</u></u>

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, 2014, the District held deposits of approximately \$246,914 at financial institutions. The District's cash deposits including interest-bearing certificates of deposit are 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.

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.

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 6/30/2013	Addition	Disposals	Balance 6/30/2014
Depreciable Assets				
Equipment	\$ 90,625.67	\$ 2,195.68	\$ -	\$ 92,821.35
Building &	574,727.38	7,800.00	-	582,527.38
Total	665,353.05	9,995.68	-	675,348.73
Accumulated Depreciation				
Equipment	25,683.21	13,317.25	-	39,000.46
Building &	369,766.51	19,241.42	-	389,007.93
Total	395,449.72	32,558.67	-	428,008.39
Net Depreciable Assets	\$ 269,903.33	\$ (22,562.99)	\$ -	\$ 247,340.34

**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Base on an
Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Texas County Conservation District
HCR 4 Box 120
Guymon, Oklahoma 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 as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Texas County Conservation District's basic financial statements and have issued my report thereon dated December 18, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Texas 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 Texas County Conservation District's internal control. Accordingly, I do not express an opinion on the effectiveness of Texas 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.
2014-1

Compliance and Other Matters

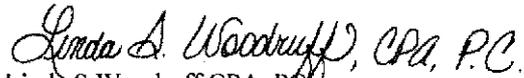
As part of obtaining reasonable assurance about whether Texas County Conservation District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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*.

Texas County Conservation District's Response to Findings

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

Oklahoma City, Oklahoma 73172
December 18, 2014

**Texas County Conservation District
Guymon, Oklahoma**

**Schedule of Findings and Responses
June 30, 2014**

2014-01. 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.

December 18, 2014

The Board of Directors
Texas County Conservation District
Guymon, Oklahoma 73942

I have audited the financial statements of the governmental activities and the business-type activities, of Texas County Conservation District for the year ended June 30, 2014. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of my audit. Professional standards also require that I communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Texas County Conservation District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the period ended June 30, 2014. I noted no transactions entered into by Texas County Conservation District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Texas County Conservation District's financial statements were:

Management made no estimates for the Texas County Conservation District's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the compensated absences in note 4. This note discusses the employee benefits that are now recorded in the financial statements and materially affect the financial position of the District.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated December 18, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Texas County Conservation District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Texas County Conservation District's auditors. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

Restriction on Use

This information is intended solely for the use of the Oklahoma State Auditor and Inspector and management of Texas County Conservation District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,


Linda S. Woodruff CPA, PC