

GARFIELD COUNTY CONSERVATION DISTRICT

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

GARFIELD COUNTY CONSERVATION DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2012

	Page
INTRODUCTORY SECTION:	
Table of Contents	i
FINANCIAL SECTION:	
Independent Auditor's Report	1
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 <i>Government Auditing Standards</i>	2-4
Financial Statements:	5
Statement of Assets, Liabilities and Net Assets – Modified Cash Basis	6
Statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis	7
Statement of Cash Flows -- Modified Cash Basis	8
Notes to Financial Statements	9-11

Kimberlye R. Mayer, CPA, P.C.

735 West Doolin

Blackwell, OK 74631

(580) 363-1453
Fax (580) 363-0068

Independent Auditor's Report

Board of Directors
Garfield County Conservation District

We have audited the accompanying statement of assets, liabilities and net assets – modified cash basis, of the Garfield County Conservation District as of June 30, 2012 and the related statements of revenues, expenses and changes in net assets – modified cash basis for the year then ended. These financial statements are the responsibility of the District's management. 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, Garfield County Conservation District prepared its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the statement of assets, liabilities and net assets – modified cash basis of Garfield County Conservation District as of June 30, 2012 and its revenues and expenses and changes in net assets and cash flows -- modified cash basis for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 17, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be read in conjunction with this report in considering the results of our audit.

Garfield County Conservation District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although, not be a part of the basic financial statements.



Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
September 17, 2012

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
Garfield County Conservation District

We have audited the financial statements of Garfield County Conservation District as of and for the year ended June 30, 2012 and have issued our report thereon dated September 17, 2012. We conducted our 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. The financial statements were prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Garfield County Conservation District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to supplement, although, not be a part of the basic financial statements.

Internal Control Over Financial Reporting

Management of Garfield County Conservation District is responsible for establishing and maintaining internal control over financial reporting. In planning and performing our audit, we considered Garfield County Conservation District's internal control over financial reporting as a basis for designing our auditing procedures 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 Garfield County Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Garfield County Conservation District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting 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 a combination of control 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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness.

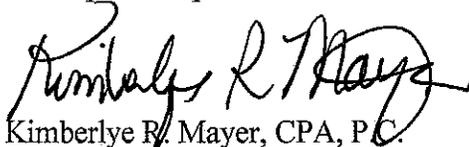
A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency.

Garfield County Conservation District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garfield 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*.

This report is intended solely for the information and use of management, the board of directors, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.



Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
September 17, 2012

GARFIELD COUNTY CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012

Material Weakness Communicated In Prior Year:

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 invoices and receiving payments; making and recording deposits; maintaining billing registers; and reconciling the monthly bank statements. Only limited oversight is provided over this individual in the conduct of their daily functions over cash receipts.

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

GARFIELD COUNTY CONSERVATION DISTRICT
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2012

ASSETS

Current Assets:	
Cash in operating account	\$ 22,558
Petty Cash	15
No-Till account	28,958
Pipeline seeding account	28,243
Total Cash and Cash Equivalents	<u>79,774</u>
Certificates of deposit	13,190
Total Current Assets	<u>92,964</u>
Property and equipment (Note 3) (Net of accumulated depreciation)	<u>37,239</u>
Total Assets	<u><u>\$ 130,203</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Current Liabilities:	
Capital lease, current portion (Note 5)	\$ 10,712
Capital lease, long term portion (Note 5)	5,067
Total Liabilities	<u>15,779</u>
Net Assets:	
Invested in capital assets, net of related debt	21,460
Unrestricted	92,964
Total Net Assets	<u>\$ 114,424</u>
Total Liabilities and Net Assets	<u><u>\$ 130,203</u></u>

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

GARFIELD COUNTY CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2012

Operating Revenues:	
OCC reimbursements	\$ 51,115
Pipeline seeding	65,021
Equipment rental	23,806
Sprigging and seed sales	60,708
Watershed reimbursements	1,645
Miscellaneous income	2,219
Total Operating Revenues	204,514
Expenses:	
Salaries and wages	51,923
Payroll taxes and employee benefits	7,027
Conservation education	279
Director fees	1,225
Office supplies and postage	1,325
Repairs, maintenance, fuel and supplies	9,025
Seeds and sprigging expenses	26,695
Pipeline seeding expenses	36,778
Equipment rent	1,747
Mileage, meeting and travel	2,464
Watershed maintenance	343
Professional fees	485
Dues, subscriptions and memberships	589
Insurance	2,921
Telephone	1,522
Utilities	301
Advertising and promotion	656
Depreciation and amortization	9,855
Miscellaneous expenses	2,739
Total Operating Expenses	157,899
Income (Loss) From Operations	46,615
Non-operating Revenues (Expenses):	
Interest income	9
Interest expense	(1,339)
Total Non-operating Revenues (Expenses)	(1,330)
Revenues Over (Under) Expenses	45,285
Net assets, beginning of year	69,139
Net assets, end of year	\$ 114,424

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

GARFIELD COUNTY CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2012

Cash flows From Operating Activities:	
Cash received from customers	\$ 149,535
Cash received from OCC	51,115
Other operating cash receipts	3,864
Cash payments to suppliers for goods and services	(96,121)
Cash payments to employees	<u>(51,923)</u>
Net Cash Provided (Used) By Operating Activities	56,470
Cash Flows From Capital And Related Financing Activities:	
New borrowings	
Principle lease payments	(9,875)
Interest lease payments	<u>(1,339)</u>
Net Cash Provided (Used) by Financing Activities	(11,214)
Cash Flows From Investing Activities:	
Purchase of capital assets	
Investment income	9
(Increase) decrease in certificate of deposits	<u>(112)</u>
Net Cash Provided (Used) by Investing Activities	<u>(103)</u>
Net increase (decrease) in cash and cash equivalents	45,153
Beginning cash and cash equivalents	<u>34,621</u>
Ending cash and cash equivalents	<u><u>\$ 79,774</u></u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:	
Income (loss) from operations	\$ 46,615
Adjustments to reconcile income (loss) to net cash provided (used) by operating activities:	
Depreciation	9,855
Changes in assets and liabilities	
Net cash provided (used) by operating activities	<u><u>\$ 56,470</u></u>

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

GARFIELD COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

The Garfield 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. The District assists landowners in conservation practices; acquisition of supplies, seeds, and planting equipment; and assists producers in procuring state and federal funds.

Basis of Accounting

The District maintains its records and prepares its financial statements on the modified cash basis of accounting. Under the modified cash basis, revenues are recognized when received, rather than when earned, and expenditures are recognized as expenses when paid, rather than when incurred. Fixed assets are recorded at cost when purchased. Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. Total depreciation for the year ended June 30, 2012 was \$9,855.

Cash and Cash Equivalents

The District considers checking and savings accounts and certificates of deposit with a maturity of three months or less to be cash and cash equivalents.

NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT:

Bank balances and certificates of deposit are maintained in financial institutions which provide coverage to depositors through the Federal Deposit Insurance Corporation.

NOTE 3 – PROPERTY AND EQUIPMENT:

Capital asset activity resulting from modified cash transactions for the fiscal year ended June 30, 2012 was as follows:

	<u>06/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/12</u>
District sheds	\$ 26,000	\$	\$	\$ 26,000
Office equipment	2,890			2,890
Machinery and equipment	111,256			111,256
Accumulated depreciation	(93,052)	(9,855)		(102,907)
Net	<u>\$ 47,094</u>	<u>\$ (9,855)</u>	<u>\$</u>	<u>\$ 37,239</u>

GARFIELD COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE 8 – ESTIMATES:

The preparation of financial statements in conformity with the modified cash basis of accounting 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.

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 District manages this risk through the purchase of commercial insurance policies.

NOTE 10 – CONTINGENCIES:

As of June 30, 2012 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 11 – NET ASSETS:

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets 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.

NOTE 12 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through September 17, 2012, the date which the financial statements were available to be issued.