

DEWEY COUNTY CONSERVATION DISTRICT

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

DEWEY 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
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>	2-5
Financial Statements:	6
Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis	7
Statement of Revenues and Expenses and Changes in Net Assets – Modified Cash Basis	8
Statement of Cash Flows – Modified Cash Basis	9
Notes to Financial Statements	10-11

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
Dewey County Conservation District

We have audited the statement of assets, liabilities, and net assets - modified cash basis of Dewey County Conservation District as of June 30, 2012 and the related statements of revenues and expenses and changes in net assets and cash flows - 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 those standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 described in Note 1, Dewey County Conservation District prepares 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 Dewey 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 July 26, 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 and 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.

Dewey 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
July 26, 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
Dewey County Conservation District

We have audited the financial statements Dewey County Conservation District as of and for the year ended June 30, 2012 and have issued our report thereon dated July 26, 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. Dewey County Conservation District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Boards requires to supplement, although, not be a part of the basic financial statements.

Internal Control Over Financial Reporting

Management of Dewey County Conservation District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Dewey 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 Dewey County Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dewey 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 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 described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and responses to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies.

Dewey County Conservation District's response to the finding 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 Dewey County Conservation District's financial statements are free of material misstatements, 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
July 26, 2012

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

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 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.

Material Weakness in Internal Control Over Financial Reporting: Financial Statements:

Criteria: Internal controls should be in place so that the District could prepare the financial statements, including the related note disclosures.

Condition: As part of the audit, management requested the auditors to prepare the financial statements, including the related notes. Although management reviewed, approved and accepted responsibility for those financial statements, the auditors cannot be considered part of the internal control over the preparation of the financial statements. Because the District's internal financial statements don't reflect all assets and liabilities, the District does not have necessary controls in place to detect, prevent or correct misstatements in those financial statements.

Cause: The entity's limited size has made it difficult for management to obtain these skills.

Effect or Potential Effect: The absence of controls over the preparation of financial statements is considered a significant deficiency because more than a remote likelihood exists that a misstatement of the financial statements could occur and not be prevented or detected by the District's internal control.

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

**Material Weakness in Internal Control Over Financial Reporting: Financial Statements
(continued):**

Recommendation: We recommend that the board strive to understand the presentation and disclosure requirements of the financial statements.

Board's Response: The District concurs with the recommendation, and will strive to understand the presentation and disclosure requirements of the financial statements, however, we believe the cost to obtain this knowledge would be prohibitive for the size and structure of our organization.

FINANCIAL STATEMENTS

AND

NOTES

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

ASSETS

Current Assets:	
Cash in operating accounts	\$ 98,924
Certificates of deposit	<u>73,914</u>
Total Current Assets	172,838
Property and equipment (Note 7) (net of accumulated depreciation)	136,411
Investment in Partnership	<u>76,805</u>
Total Assets	<u><u>\$ 386,054</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	\$
Net Assets:	
Invested in capital assets, net of related debt	136,411
Unrestricted	<u>249,643</u>
Total Net Assets	<u>386,054</u>
Total Liabilities and Net Assets	<u><u>\$ 386,054</u></u>

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

DEWEY 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	\$ 62,947
Sponsorships	2,094
Building rent	29,442
Equipment rental	21,813
Seed sales	111,414
Gopher bait	637
Other income	922
Carbon program	1,270
Sales tax collected	3,081
Total Operating Revenues	<u>233,620</u>
Expenses:	
Salaries and wages	56,923
Payroll taxes and benefits	5,721
Office supplies and postage	2,473
Repairs and maintenance	3,260
Vehicle expenses	2,837
Seed purchases	91,135
Meetings expense	11,597
Dues, registrations, memberships	4,575
Advertisement and promotion	2,560
Building expenses	1,377
Professional fees	475
Insurance	5,763
Utilities and telephone	10,614
Janitor	4,200
Education and programs	6,836
Watershed maintenance	2,364
Depreciation expense	13,531
Other expense	155
Total Operating Expenses	<u>226,396</u>
Income (Loss) From Operations	7,224
Nonoperating Revenue (Expense):	
Sale of equipment	1,025
Interest income	5,904
Total Nonoperating Revenue	<u>6,929</u>
Revenues Over (Under) expenses	14,153
Net assets, beginning of year	371,901
Net assets, end of year	<u><u>\$ 386,054</u></u>

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

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

Cash flows From Operating Activities:	
Cash received from customers	\$ 170,673
Cash received from OCC	62,947
Cash payments to suppliers for goods and services	(155,942)
Cash payments to employees	(56,923)
Net Cash Provided (Used) By Operating Activities	<u>20,755</u>
Cash Flows From Capital and Financing Activities:	
Acquisition and construction of capital assets	(30,797)
Sale of assets	1,025
Net Cash Provided (Used) by Financing Activities	<u>(29,772)</u>
Cash Flows From Investing Activities:	
Decrease in partnership investment	17,198
Interest income	5,904
(Increase) decrease in CD's	(848)
Net Cash Provided (Used) by Investing Activities	<u>22,254</u>
Net increase (decrease) in cash and cash equivalents	13,237
Beginning cash and cash equivalents	<u>85,687</u>
Ending cash and cash equivalents	<u><u>\$ 98,924</u></u>
Reconciliation of income (loss) to net cash	
provided (used) by operating activities:	
Operating income (loss)	\$ 7,224
Adjustments to reconcile operating income (loss) to	
net cash provided (used) by operating activities:	
Depreciation	13,531
Changes in assets and liabilities:	
Net cash provided (used) by operating activities	<u><u>\$ 20,755</u></u>

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Dewey 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.

Basis of Accounting

The District maintains its records and prepares its financial statements on the basis of modified cash 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 and annual depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

NOTE 2 – PROPERTY AND EQUIPMENT:

Depreciable assets are recorded at cost when purchased or constructed. 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 \$13,531. The balances for depreciable assets by major category for the year ended June 30, 2012 are as follows:

	<u>6/30/11</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>6/30/12</u>
Land and improvements	\$ 17,095	\$	\$	\$ 17,095
Building	183,048			183,048
Equipment	132,052	30,797	(5,150)	157,699
	<u>332,195</u>	<u>30,797</u>	<u>(5,150)</u>	<u>357,842</u>
Less accumulated depreciation	(213,050)	(13,531)	5,150	(221,431)
Net	<u>\$ 119,145</u>	<u>\$ 17,266</u>	<u>\$</u>	<u>\$ 136,411</u>

NOTE 3 - OCC REIMBURSEMENTS:

The District is reimbursed by the Oklahoma Conservation Commission for salaries, payroll taxes, mileage, telephone charges, office supplies and certain other office expenses up to their allocated amount. Such reimbursements are recognized as revenue when received.

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

NOTE 4 – RETIREMENT PLAN:

Oklahoma public employees who work 1,000 hours or more per year were enrolled in the Oklahoma Public Employees Retirement System. On salaries paid from reimbursable funds from the Oklahoma Conservation Commission, the employer's 15½% share of retirement was paid directly by the Commission. The employee's share of the retirement contribution was 15½% of locally earned wages and 3½% of state reimbursable wages.

NOTE 5 – 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 6 – 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. Claims are recognized when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

NOTE 7 – 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 8 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through July 26, 2012, the date which the financial statements were available to be issued.