
CIMARRON COUNTY CONSERVATION DISTRICT

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

CIMARRON 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>	2-4
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

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Independent Auditor's Report

Board of Directors
Cimarron County Conservation District

We have audited the accompanying statement of assets, liabilities and net assets – modified cash basis, of the Cimarron 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.

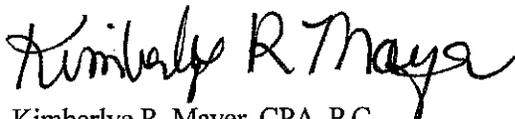
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and those standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that 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, Cimarron 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 Cimarron 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 14, 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.

Cimarron 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 14, 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
Cimarron County Conservation District

We have audited the financial statements Cimarron County Conservation District as of and for the year ended June 30, 2012 and have issued our report thereon dated September 14, 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. Cimarron 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 Cimarron County Conservation District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Cimarron 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 Cimarron County Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cimarron 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 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.

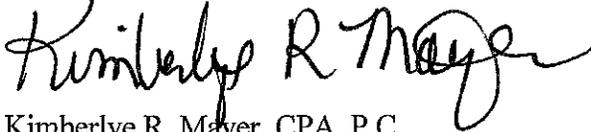
A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses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

Cimarron 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 Cimarron 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.

A handwritten signature in black ink that reads "Kimberlye R. Mayer". The signature is written in a cursive, flowing style.

Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
September 14, 2012

CIMARRON 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 billing registers; and reconciling the monthly bank statements. Only limited oversight is provided over this individual in the conduct of their daily functions.

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

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

ASSETS

Current Assets:	
Cash in operating account	\$ 21,936
Petty Cash	62
Cash in savings	38,156
Total Cash and Cash Equivalents	60,154
Certificate of deposit	30,631
Total Current Assets	90,785
Investment in Partnership	44,147
Property and equipment (Note 3) (net of accumulated depreciation)	259,658
Total Assets	\$ 394,590

LIABILITIES AND NET ASSETS

Liabilities:	
Current Liabilities:	
Payroll taxes due	\$ 1,866
Net Assets:	
Invested in capital assets, net of related debt	259,658
Unrestricted	133,066
Total Net Assets	392,724
Total Liabilities and Net Assets	\$ 394,590

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

CIMARRON 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	\$ 78,503
Sponsorships	611
Equipment rental	3,804
Building rent	44,362
Seed and poison grain sales	58,382
Other sales and service	4,803
Guzzler sales	7,600
Platbook sales	360
Other income	1,441
Total Operating Revenues	199,866
Expenses:	
Payroll	83,212
Payroll taxes and benefits	9,634
Office supplies and postage	2,253
Repairs and maintenance	1,203
Advertising and promotion	685
Dues, subscriptions and memberships	1,304
Director fees	1,400
Meetings and travel	5,648
Building expenses	4,143
Janitor	6,000
Conservation education	201
Seed and poison grain purchases	51,476
Professional fees	750
Insurance and bond	2,846
Utilities and telephone	12,001
Guzzler purchases	5,200
Other product costs	3,911
Depreciation	9,495
Scholarships	1,200
Other expenses	1,612
Total Operating Expenses	204,174
Income (Loss) From Operations	(4,308)
Nonoperating Revenue (Expense):	
Interest income	4,050
Total Nonoperating Revenue	4,050
Revenues Over (Under) expenses	(258)
Net assets, beginning of year	392,982
Net assets, end of year	\$ 392,724

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

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

Cash flows From Operating Activities:	
Cash received from customers	\$ 119,311
Other cash operating receipts	80,555
Cash payments to suppliers for goods and services	(109,604)
Cash payments to employees	<u>(83,212)</u>
Net Cash Provided (Used) By Operating Activities	7,050
Cash Flows From Capital and Financing Activities:	
Acquisition and construction of capital assets	
Gain on sale of equipment	
Net Cash Provided (Used) by Financing Activities	<u> </u>
Cash Flows From Investing Activities:	
(Increase) decrease in CDs	(200)
Interest income	4,050
(Increase) decrease in investments	9,030
Net Cash Provided (Used) by Investing Activities	<u>12,880</u>
Net increase (decrease) in cash and cash equivalents	19,930
Beginning cash and cash equivalents	<u>40,224</u>
Ending cash and cash equivalents	<u><u>\$ 60,154</u></u>
Reconciliation of income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (4,308)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	9,495
Changes in assets and liabilities:	
Increase in payroll taxes due	1,863
Net cash provided (used) by operating activities	<u><u>\$ 7,050</u></u>

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Cimarron 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 - CASH AND CASH EQUIVALENTS:

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

NOTE 3 – PROPERTY AND EQUIPMENT:

Depreciable assets are recorded at cost when purchased or constructed. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed. 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 \$9,495. The following is a schedule of property and equipment and the related accumulated depreciation at June 30, 2012:

	<u>6/30/11</u>	<u>Additions</u>	<u>6/30/12</u>
Building and land	\$ 439,343	\$	\$ 439,343
Equipment	60,760		60,760
	<u>500,103</u>		<u>500,103</u>
Less accumulated depreciation	<u>(230,950)</u>	<u>(9,495)</u>	<u>(240,445)</u>
Net	<u>\$ 269,153</u>	<u>\$ (9,495)</u>	<u>\$ 259,658</u>

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

NOTE 4 – 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.

NOTE 5 – INVESTMENT IN PARTNERSHIP:

The District entered into a limited partnership with the Dewey County Conservation District. The purpose of this partnership was to provide loan funds to enable Kay County Conservation District to acquire land and to construct an office building. The interest rate for the first 60 months of this loan is 5%. The interest rate will be adjusted every 60 months to prime rate plus 1% until the note matures on November 15, 2019. Collateral for this note is the land, buildings, machinery and equipment and the receivables. At June 30, 2012 the District's share of this partnership was \$44,147.

NOTE 6 – 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 16½% share of retirement was paid directly by the Commission. The employees' share of the retirement contribution was 16½% of locally earned wages and 3½% of state reimbursable wages.

NOTE 7 – INVESTMENTS:

The State of Oklahoma allows government entities to invest in the following: direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; or county, municipal or school district direct bonds.

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.

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

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. 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 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 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through September 14, 2012, the date which the financial statements were available to be used.