

**HARPER COUNTY CONSERVATION DISTRICT**

**ANNUAL FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

HARPER COUNTY CONSERVATION DISTRICT  
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YEAR ENDED JUNE 30, 2012

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## Independent Auditor's Report

Board of Directors  
Harper County Conservation District

We have audited the statement of assets, liabilities, and net assets - modified cash basis of Harper 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, Harper 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 Harper 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 22, 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.

Harper 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 22, 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  
Harper County Conservation District

We have audited the financial statements Harper County Conservation District as of and for the year ended June 30, 2012 and have issued our report thereon dated September 22, 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. Harper 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 Harper County Conservation District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Harper 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 Harper County Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Harper County Conservation District's internal control over financial reporting.

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.

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.

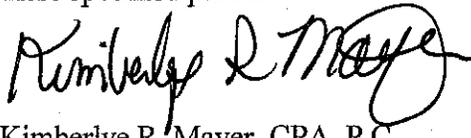
A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses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

Harper 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 Harper 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, appearing to read "Kimberlye R. Mayer". The signature is fluid and cursive, with a large loop at the end of the last name.

Kimberlye R. Mayer, CPA, P.C.  
Blackwell, Oklahoma  
September 22, 2012

HARPER 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 for custody of assets, record keeping for those assets, 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 sales billings and receiving payments; making and recording deposits; maintaining accounts receivable; 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 sales 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 and structure 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.

Recommendation: We recommend that the District 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

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

ASSETS

|  |                          |
|--|--------------------------|
| Current Assets:                            |                          |
| Checking and savings accounts              | \$ 103,175               |
| Certificates of deposit                    | <u>169,938</u>           |
| Total Cash and Cash Equivalents            | \$ 273,113               |
|  |                          |
| Property and equipment                     |                          |
| (Net of accumulated depreciation) (Note 4) | <u>193,022</u>           |
|  |                          |
| Total Assets                               | <u><u>\$ 466,135</u></u> |

LIABILITIES AND NET ASSETS

|   |                          |
|---|--------------------------|
| Liabilities:                                    | \$                       |
|   |                          |
| Net Assets:                                     |                          |
| Invested in capital assets, net of related debt | 193,022                  |
| Unrestricted                                    | <u>273,113</u>           |
|   |                          |
| Total Net Assets                                | <u>466,135</u>           |
|   |                          |
| Total Liabilities and Net Assets                | <u><u>\$ 466,135</u></u> |

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

|                                       |                   |
|---------------------------------------|-------------------|
| Revenues:                             |                   |
| OCC reimbursements                    | \$ 44,826         |
| NRCS reimbursement                    | 12,325            |
| Equipment rental                      | 6,575             |
| Seed sales                            | 119,161           |
| Building rent                         | 36,451            |
| Conservation education fees           | 387               |
| Map sales                             | 695               |
| Guzzler income                        | 51,300            |
| Other income                          | 2,248             |
| Total Operating Revenues              | <u>273,968</u>    |
| Expenses:                             |                   |
| Salaries                              | 48,497            |
| Payroll taxes and employee benefits   | 9,853             |
| Telephone expense                     | 2,097             |
| Office supplies and postage           | 3,032             |
| Insurance                             | 3,474             |
| Vehicle expenses                      | 526               |
| Equipment maintenance                 | 590               |
| Map costs                             | 677               |
| Guzzler expenses                      | 2,950             |
| Meetings, mileage and travel          | 7,666             |
| Professional fees                     | 475               |
| Seed costs                            | 92,395            |
| Building maintenance and supplies     | 6,325             |
| Utilities                             | 8,646             |
| Janitor                               | 5,875             |
| Depreciation                          | 21,912            |
| Director fees                         | 2,450             |
| Conservation education                | 2,698             |
| Other expenses                        | 385               |
| Total Operating Expenses              | <u>220,523</u>    |
| Operating Income (Loss)               | 53,445            |
| Nonoperating Revenues (Expenses):     |                   |
| Grant income                          | 10,103            |
| Interest income                       | 1,976             |
| Gain on sale of assets                | 49,160            |
| Total Nonoperating Revenue (Expenses) | <u>61,239</u>     |
| Changes in net assets                 | 114,684           |
| Net assets at beginning of year       | 351,451           |
| Net assets at end of year             | <u>\$ 466,135</u> |

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

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

|   |                          |
|---|--------------------------|
| Cash flows From Operating Activities:   |                          |
| Cash received from customers  | \$ 180,366               |
| Other operating cash receipts   | 93,602                   |
| Cash payments to suppliers for goods and services   | (150,114)                |
| Cash payments to employees  | (48,497)                 |
| Net cash provided (used) by operating activities  | <u>75,357</u>            |
| Cash flows from non-capital financing activities:   |                          |
| Cash flows from capital and related financing activities:   |                          |
| Grant income  | <u>10,103</u>            |
| Net cash provided (used) by financing activities  | 10,103                   |
| Cash flows from investing activities:   |                          |
| (Increase) decrease in fixed assets   | (140,138)                |
| Gain on sale of assets  | 49,160                   |
| Interest on cash and CD's   | 1,976                    |
| Net cash provided (used) by investing activities  | <u>(89,002)</u>          |
| Net increase (decrease) in cash and cash equivalents  | (3,542)                  |
| Beginning cash and cash equivalents   | <u>276,655</u>           |
| Ending cash and cash equivalents  | <u><u>\$ 273,113</u></u> |
| Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:        |                          |
| Income (Loss) from operations   | 53,445                   |
| Depreciation  | 21,912                   |
| Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities: |                          |
| Net cash provided (used) by operating activities  | <u><u>\$ 75,357</u></u>  |

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Harper 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 prepares its financial statements using the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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 2 – CASH AND CERTIFICATES OF DEPOSIT:

Bank balances and certificates of deposit are covered by the Federal Deposit Insurance Corporation. All deposits at June 30, 2012 were fully insured.

NOTE 3 – 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 debt.

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

NOTE 4 –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 \$21,912. The following is a summary by category of changes in property and equipment:

| Category                 | 6/30/11          | Additions         | Deletions        | 6/30/12           |
|--------------------------|------------------|-------------------|------------------|-------------------|
| Building & fixtures      | \$ 276,852       | \$ 12,325         | \$               | \$ 289,177        |
| Machinery and equipment  | 97,360           | 130,961           | (41,261)         | 187,060           |
| Totals                   | 374,212          | 143,286           | (41,261)         | 476,237           |
| Accumulated depreciation | (317,612)        | (21,912)          | 56,309           | (283,215)         |
| Net                      | <u>\$ 56,600</u> | <u>\$ 121,374</u> | <u>\$ 15,048</u> | <u>\$ 193,022</u> |

NOTE 5 – 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. When received, such reimbursements are recognized as revenues.

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 employers 16½ % share of retirement was paid directly by the Commission. The employees' share of the retirement contribution was 16½% of locally earned wages and 3 ½% of state reimbursable wages.

NOTE 7 – 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 disclosures 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.

HARPER COUNTY CONSERVTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

NOTE 8 – CASH AND CASH EQUIVALENTS:

The District considers all deposit accounts with a maturity of three months or less to be cash equivalents.

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 the 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 22, 2012, the date which the financial statements were available to be issued.