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State Auditor & Inspector

**WASHITA COUNTY CONSERVATION
DISTRICT NO. 86**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

JUNE 30, 2011

WASHITA COUNTY CONSERVATION
DISTRICT NO. 86

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Washita County Conservation District No. 86
Cordell, Oklahoma

We have audited the accompanying cash basis financial statements of the Washita County Conservation District No. 86 as of June 30, 2011, as listed in the table of contents. These cash basis financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these cash basis 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. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the District prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles of the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - cash basis of Washita County Conservation District No. 86 as of June 30, 2011, and the respective changes in financial

position - cash basis and its cash flows for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated September 29, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, 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 is important for assessing the results of our audit.

The District has not presented the 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 accompanying financial statements.

McCulley & McCulley

Weatherford, Oklahoma

September 29, 2011

**WASHITA COUNTY CONSERVATION DISTRICT NO. 86
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
CASH BASIS
JUNE 30, 2011**

ASSETS		
Cash in Bank		\$ 31,017
Certificate of Deposit		<u>20,000</u>
TOTAL ASSETS		\$ <u>51,017</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		\$
NET ASSETS		<u>51,017</u>
TOTAL LIABILITIES AND NET ASSETS		\$ <u>51,017</u>

The accompanying notes are an integral part of these statements.

**WASHITA COUNTY CONSERVATION DISTRICT NO. 86
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN NET ASSETS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

CASH RECEIPTS

State Reimbursement	\$	434,012
Equipment Rent Income		2,165
Office Rent Income		3,200
Cedar Cutting		4,915
Interest Income		274
Donation		1,330
Seed		5,609
OACD Carbon Program		466
Other Income		50

TOTAL CASH RECEIPTS

452,021

CASH DISBURSEMENTS

Compensation and Benefits		86,241
Retirement and Health Insurance		7,831
Watershed Maintenance		338,830
Telephone		1,195
Meeting Expenses		1,942
Transportation Expenses		1,407
Seed Purchases		2,971
Classroom and Education		915
Advertising		421
Licenses and Dues		1,693
Insurance		2,400
Office Expenses		54
Equipment Rental - Cancelable Operating Lease		559
Repair and Maintenance		432
Professional Fees		400

TOTAL CASH DISBURSEMENTS

447,291

NET CASH RECEIPTS

4,730

NET ASSETS

Beginning of Year 46,287

End of Year \$ 51,017

The accompanying notes are an integral part of these statements.

**WASHITA COUNTY CONSERVATION DISTRICT NO. 86
STATEMENT OF CASH FLOWS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from State Reimbursements	\$ 434,012
Cash Received in Rent	5,365
Cash Received from Donations	1,330
Cash Received from Cedar Cutting	4,915
Cash Received from Interest	274
Cash Received from Seed	5,609
Cash Received from OACD Carbon Program	466
Cash Received from Other Income	50
Cash Paid to Employees and Benefits	(94,072)
Cash Paid for Operations	<u>(353,219)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,730</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,730
CASH AND CASH EQUIVALENTS	
Beginning of Year	<u>46,287</u>
End of Year	<u>\$ 51,017</u>
RECONCILIATION OF NET CASH RECEIPTS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Cash Receipts	<u>\$ 4,730</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,730</u>

The accompanying notes are an integral part of these statements.

WASHITA COUNTY CONSERVATION DISTRICT NO. 86
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

A. Summary of Significant Accounting Policies.

The Washita County Conservation District No. 86, (the District), is a special district of the State of Oklahoma. The District was created to implement soil conservation measures in Washita County, State of Oklahoma, and is financed by user charges and the Oklahoma Conservation Commission.

1. Basis of Accounting.

The District's policy is to prepare its financial statements on the cash basis of accounting; consequently, revenues are recognized when received rather than when earned, and expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

2. Cash in Bank and Certificate of Deposit.

Cash in bank consists of the District's checking and savings accounts. The Market value of the certificate of deposit approximates cost. All deposits are insured by the Federal Deposit Insurance Corporation.

For purposes of the statement of cash flows, the District considers all cash in bank and the certificate of deposit to be cash equivalents.

B. Capital Assets.

In accordance with the cash basis of accounting, the District's capital assets are recognized as an expense when cash is disbursed. Sales of capital assets are recognized as income when sold.

C. Risk Management.

The District purchases insurance on its equipment and building. Surety Bonds are purchased for the employees and Board of Directors. The Oklahoma Conservation Commission purchases workers compensation insurance for the District.

WASHITA COUNTY CONSERVATION DISTRICT NO. 86
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

D. Employee Retirement System.

The District participates in the state-administered Oklahoma Public Employees Retirement System (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all regular employees who work at least 1000 hours per year and are not seasonal or temporary employees. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a Board of Trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

A participant with 80 age/service points if hired before July 1, 1992 or 90 age/service points if hired after July 1, 1992, may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five with 10 years of service. The normal retirement allowance, equals two percent of the members final average compensation multiplied by the number of years of credited service. When a retired participant dies, the beneficiary is entitled to a death benefit.

The contribution rates for the Districts, which are not actuarial determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 15.5% of the applicable compensation for the year ended June 30, 2011. This contribution is actually paid by the Oklahoma Conservation Commission. The District is allowed by the Oklahoma Public Employees Retirements System to make the required contributions on behalf of the participating members. Employees contribute 3.5% of earnings for the year ended June 30, 2011. The contribution rates for state agencies will increase 1% for the fiscal year ending June 30, 2012.

Ten year historical trend information is presented in the Oklahoma Public Employees' Retirement System Annual Report for the year ended June 30, 2011. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.



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**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 GOVERNMENT AUDITING STANDARDS**

Board of Directors
Washita County Conservation District No. 86
Cordell, Oklahoma

We have audited the accompanying financial statements of the Washita County Conservation District No. 86 for the year ended June 30, 2011, and have issued our report dated September 29, 2011. The District reports on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles of the United States and has omitted the management discussion and analysis, which is required supplementary information under generally accepted accounting principles. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the accompanying financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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. Therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, 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 course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. We consider the deficiencies described in the accompanying report entitled "Internal Control over Financial Reporting Comments and Findings" to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of 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 the objective of our audit. 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.

The District's response to the findings identified in our audit is described in the accompanying report "Internal Control over Financial Reporting Comments and Findings". We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors and management. It is not intended to be and should not be used by anyone other than these specified parties.

McCulley & McCulley

Weatherford, Oklahoma

September 29, 2011

WASHITA COUNTY CONSERVATION DISTRICT NO. 86
INTERNAL CONTROL OVER FINANCIAL REPORTING
COMMENTS AND FINDINGS
JUNE 30, 2011

1. Lack of Segregation of Duties.

CONDITION AND EFFECT - The District does not have adequate segregation of duties since it only has one office employee. Material errors or fraud could occur and not be found in a timely manner.

RECOMMENDATION - The District should segregate the duties to the extent possible should new employees be hired.

RESPONSE - The District has surety bond insurance to reduce any risk of loss. The District believes the cost of hiring additional employees is not economically feasible.

WASHITA COUNTY CONSERVATION DISTRICT NO. 86
UPDATE ON JUNE 30, 2008, AUDIT'S INTERNAL CONTROL
COMMENTS AND FINDINGS
JUNE 30, 2011

1. Lack of Segregation of Duties.

CONDITION AND EFFECT - The District does not have adequate segregation of duties since it only has one office employee. Material errors or fraud could occur and not be found in a timely manner.

RECOMMENDATION - The District should segregate the duties to the extent possible should new employees be hired.

RESPONSE - The District has surety bond insurance to reduce any risk of loss. The District believes the cost of hiring additional employees is not economically feasible.

UPDATED COMMENT - Situation is the same. Comment repeated.