

**Washington State Auditor's Office**  
**Financial Statements Audit Report**

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**Benton Conservation District**  
**Benton County**

Audit Period  
**January 1, 2003 through December 31, 2005**

**Report No. 72029**

Issue Date  
**January 19, 2007**



Washington \_\_\_\_\_  
***State Auditor***  
\_\_\_\_\_  
Brian Sonntag



**Washington State Auditor  
Brian Sonntag**

January 19, 2007

Board of Supervisors  
Benton Conservation District  
Prosser, Washington

***Report on Financial Statements***

Please find attached our report on the Benton Conservation District's financial statements.

We are issuing this report in order to provide information on the District's financial condition.

In addition to this work, we look at other areas of our audit client's operations for compliance with state laws and regulations. The results of that audit will be included in a separately issued accountability report.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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Benton County  
January 1, 2003 through December 31, 2005**

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# Schedule of Audit Findings

## **Benton Conservation District Benton County January 1, 2003 through December 31, 2005**

### **1. The Benton Conservation District does not have adequate internal controls over financial statement preparation or bank reconciliations.**

#### **Description of Condition**

We reviewed the District's internal controls over financial statement preparation and noted the District transferred data directly from its general ledger to its financial statements. This did not take into account checks the District issues that do not clear the bank by the end of the year. The District included those checks in its cash balance carried forward to the next year.

We noted in our review of the District's yearly documentation that the following documents were missing:

- A checking account reconciliation for February 2003.
- The Local Government Investment Pool reconciliation for April 2004, October 2004, January 2005, March 2005, August 2005 and November 2005.
- A money market account statement for February 2005, July 2005 and November 2005.
- Another money market account statement for September 2004.
- The Local Government Investment Pool statement of account for October 2004.

This is not compliant with the Records Management Guidelines and General Records Retention Schedules as set forth by the Secretary of State's Office, which sets out a three-year retention period for account reconciliation records that are locally or automatically prepared and a six-year retention period for bank statements. We also noted the checking account reconciliation for January 2003 noted five transactions as cleared, while the bank statement noted 30.

#### **Cause of Condition**

The District's accounting staff lacked adequate training in how to reconcile a bank statement. District officials also stated they lacked the resources to establish internal controls needed to monitor financial statement preparation and bank reconciliations monthly.

#### **Effect of Condition**

Because the District had not properly reconciled its bank account and recorded the necessary adjustments, the cash balance in the District's accounting records was not accurate. Management cannot adequately monitor its cash position without accurate bank reconciliations. The District overstated its cash balance \$22,690.27 in each of the years 2003, 2004 and 2005.

## Recommendation

We recommend the District improve internal controls by monitoring preparation of financial statements and reconciliation of bank statements.

## District's Response

*The following actions will be or have been taken to improve our internal controls over financial statement preparation or bank reconciliations:*

1. *A qualified bookkeeper has been hired.*
2. *A District Manager will be hired to provide additional oversight and guidance.*
3. *All banking accounts will be reconciled monthly.*
4. *All reconciliations will be reviewed by a 2<sup>nd</sup> party (either the manager or a supervisor).*
5. *All documentation will be maintained per the records management guidelines.*
6. *All financial statements including banking records will be filed in a standardized location to facilitate tracking and retrieval.*
7. *The overstatement identified in the audit report has been corrected and will be reflected in the 2006 financial statement.*
8. *The annual financial report will be reviewed by an independent accountant.*

*The Benton Conservation District would like to thank the State Auditors Office for their professionalism and diligence in performing this audit. We look forward to working with you in the future.*

## Auditor's Remarks

We appreciate the actions taken by the District to correct the condition identified. We will follow up on actions taken by the District during our next regularly scheduled audit.

## Applicable Laws and Regulations

RCW 43.09.200 mandates financial statement presentation as follows:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

RCW 43.09.230 further mandates the correctness of financial data submitted as follows:

The reports shall contain accurate statements, in summarized form, of all collections made, or receipts received, by the officers from all sources; all accounts due the public treasury, but not collected; and all expenditures for every purpose, and by what authority authorized; and also: (1) A statement of all costs of ownership and operation, and of all income, of each and every public service industry owned and operated by a local government; (2) a statement of the entire public debt of every local government, to which power has been delegated by the state to create a public debt, showing the purpose for which each item of the debt was created, and the provisions made for the payment thereof; (3) a classified statement of all receipts and expenditures by any public institution; and (4) a statement of all expenditures for labor relations consultants, with the identification of each consultant, compensation, and the terms and conditions of each agreement or arrangement; together with such other information as may be required by the state auditor.

# Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

**Benton Conservation District  
Benton County  
January 1, 2003 through December 31, 2005**

Board of Supervisors  
Benton Conservation District  
Prosser, Washington

We have audited the financial statements of the Benton Conservation District, Benton County, Washington, as of and for the years ended December 31, 2005, 2004 and 2003, and have issued our report thereon dated December 22, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Audit Findings as Finding 1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is 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 the District's 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, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. 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 herein under *Government Auditing Standards*.

This report is intended for the information and use of management and the Board of Supervisors. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", is positioned above the printed name and title.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

December 22, 2006



# Independent Auditor's Report on Financial Statements

## **Benton Conservation District Benton County January 1, 2003 through December 31, 2005**

Board of Supervisors  
Benton Conservation District  
Prosser, Washington

We have audited the accompanying financial statements of the Benton Conservation District, Benton County, Washington, for the years ended December 31, 2005, 2004 and 2003. 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. 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 to the financial statements, the District prepares its financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Benton Conservation District, for the years ended December 31, 2005, 2004 and 2003, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report 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 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 should be considered in assessing the results of our audit.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

December 22, 2006

# Financial Section

**Benton Conservation District  
Benton County  
January 1, 2003 through December 31, 2005**

## ***FINANCIAL STATEMENTS***

Revenues and Expenses Arising from Cash Transactions – 2005  
Revenues and Expenses Arising from Cash Transactions – 2004  
Revenues and Expenses Arising from Cash Transactions – 2003  
Notes to Financial Statements – 2005  
Notes to Financial Statements – 2004  
Notes to Financial Statements – 2003

Revenues and Expenses Arising from Cash Transactions  
For the Year Ended December 31, 2005

	<u>Actual</u>
Beginning Net Cash and Investments	\$ 66,845.09
Revenues and Other Resources	\$ 272,645.34
<b>TOTAL RESOURCES</b>	<b>\$ 339,490.43</b>
 Expenses and Other Uses	 <b>\$ (196,084.47)</b>
Excess (Deficit) of Resources Over Uses	\$ 166,096.23
 Nonrevenues Nonexpenditures	
 <b>ENDING NET CASH AND INVESTMENTS</b>	 <b><u>\$ 143,405.96</u></b>

*The accompanying notes are an integral part of this financial statement.*

**Revenues and Expenses Arising from Cash Transactions  
For the Year Ended December 31, 2004**

	<u>Actual</u>
Beginning Net Cash and Investments	\$ 110,323.32
Revenues and Other Resources	\$ 234,793.11
<b>TOTAL RESOURCES</b>	<b>\$ 345,116.43</b>
 Expenses and Other Uses	 \$ (278,271.34)
Excess (Deficit) of Resources Over Uses	
 Nonrevenues	
Nonexpenditures	
 <b>ENDING NET CASH AND INVESTMENTS</b>	 <b><u>\$ 66,845.09</u></b>

*The accompanying notes are an integral part of this financial statement.*

**Revenues and Expenses Arising from Cash Transactions  
For the Year Ended December 31, 2003**

	<u>Actual</u>
Beginning Net Cash and Investments	\$ 129,937.72
Revenues and Other Resources	\$ 301,111.93
<b>TOTAL RESOURCES</b>	<b>\$ 431,049.65</b>
Expenses and Other Uses	\$ (320,726.33)
Excess (Deficit) of Resources Over Uses	
Nonrevenues	
Nonexpenditures	
<b>ENDING NET CASH AND INVESTMENTS</b>	<b>\$ 110,323.32</b>

*The accompanying notes are an integral part of this financial statement.*

**NOTES TO FINANCIAL STATEMENTS FOR 2005  
BENTON CONSERVATION DISTRICT**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES**

The Benton Conservation District was incorporated on May 24, 1942, and operates under the laws of the state of Washington applicable to a municipal government.

a. Reporting Entity

The Benton Conservation District is a special purpose government and provides services to the general public and is supported primarily through user charges (or where the governing body has decided that periodic determination of net income is needed).

b. Basis of Accounting

The accounting records of the Benton Conservation District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The Benton Conservation District uses the *Budgeting, Accounting and Reporting System for Conservation Districts in the state of Washington*.

The accounts of the Benton Conservation District are maintained on the basis of funds. For reporting purposes, the activities of all the Benton Conservation District's funds are combined.

The Benton Conservation District uses the cash basis of accounting where revenues are recognized only when received and expenses are recognized when paid.

c. Cash

It is the Benton Conservation District's policy to invest all temporary cash surpluses. The amount is included on the statement of resources and uses arising from cash transactions as net cash and investments.

d. Deposits

The Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission cover the Benton Conservation District deposits, and certificates of deposits.

e. Capital Assets

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are recorded as expenses when purchased. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased. Maintenance, repairs, and minor renewals are accounted for as expenses as paid.

f. Compensated Absences

Vacation pay may be accumulated up to 18 months and is payable upon separation or retirement. Sick leave may accumulate indefinitely. Upon separation or retirement employees do not receive payment for unused sick leave.

## **NOTE 2 – INVESTMENTS**

The Benton Conservation District's investments are insured, registered or held by the Benton Conservation District or its agent in the Benton Conservation District.

Investments by type at **December 31, 2005**, are as follows:

Washington Entity Governmental Pool	Balance	<u>\$102,250.46</u>
US Bank Money Market Account	Balance	<u>\$ 39,287.74</u>

## **NOTE 3 - ASSESSMENTS**

The Benton Conservation District has not imposed a special assessment.

## **NOTE 4 – LONG TERM DEBT**

As of December 31, 2004, the Benton Conservation District has a long-term debt of \$14,827.07 for the election of Supervisor in 2001.

## **NOTE 5 – PENSION PLANS**

The Benton Conservation District Board of Supervisors gives each full time permanent employee \$400 per month in addition to their normal income. This dollar amount can be used either by a retirement plan that each employee sets up through AETNA prior to receiving their first payroll check, and/or a purchase of a medical and dental plan.



**NOTES TO FINANCIAL STATEMENTS FOR 2004  
BENTON CONSERVATION DISTRICT**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES**

The Benton Conservation District was incorporated on May 24, 1942, and operates under the laws of the state of Washington applicable to a municipal government.

a. Reporting Entity

The Benton Conservation District is a special purpose government and provides services to the general public and is supported primarily through user charges (or where the governing body has decided that periodic determination of net income is needed).

b. Basis of Accounting

The accounting records of the Benton Conservation District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The Benton Conservation District uses the *Budgeting, Accounting and Reporting System for Conservation Districts in the state of Washington*.

The accounts of the Benton Conservation District are maintained on the basis of funds. For reporting purposes, the activities of all the Benton Conservation District's funds are combined.

The Benton Conservation District uses the cash basis of accounting where revenues are recognized only when received and expenses are recognized when paid.

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f. Compensated Absences

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## **NOTE 2 – INVESTMENTS**

The Benton Conservation District's investments are insured, registered or held by the Benton Conservation District or its agent in the Benton Conservation District.

Investments by type at **December 31, 2004**, are as follows:

Washington Entity Governmental Pool	Balance	<u>\$63,845.34</u>
US Bank Money Market Account	Balance	<u>\$ 206.78</u>

## **NOTE 3 - ASSESSMENTS**

The Benton Conservation District has not imposed a special assessment.

## **NOTE 4 – LONG TERM DEBT**

As of December 31, 2004, the Benton Conservation District has a long-term debt of \$14,827.07 for the election of Supervisor in 2001.

## **NOTE 5 – PENSION PLANS**

The Benton Conservation District Board of Supervisors gives each full time permanent employee \$400 per month in addition to their normal income. This dollar amount can be used either by a retirement plan that each employee sets up through AETNA prior to receiving their first payroll check, and/or a purchase of a medical and dental plan.

The Benton Conservation District at this time does not have a Pension Plan.

**NOTES TO FINANCIAL STATEMENTS FOR 2003  
BENTON CONSERVATION DISTRICT**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES**

The Benton Conservation District was incorporated on May 24, 1942, and operates under the laws of the state of Washington applicable to a municipal government.

a. Reporting Entity

The Benton Conservation District is a special purpose government and provides services to the general public and is supported primarily through user charges (or where the governing body has decided that periodic determination of net income is needed).

b. Basis of Accounting

The accounting records of the Benton Conservation District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The Benton Conservation District uses the *Budgeting, Accounting and Reporting System for Conservation Districts in the state of Washington*.

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Vacation pay may be accumulated up to 18 months and is payable upon separation or retirement. Sick leave may accumulate indefinitely. Upon separation or retirement employees do not receive payment for unused sick leave.

## **NOTE 2 – INVESTMENTS**

The Benton Conservation District's investments are insured, registered or held by the Benton Conservation District or its agent in the Benton Conservation District.

Investments by type at **December 31, 2003**, are as follows:

Washington Entity Governmental Pool	Balance	<u>\$77,804.72</u>
US Bank Money Market Account	Balance	<u>\$40,985.61</u>

## **NOTE 3 - ASSESSMENTS**

The Benton Conservation District has not imposed a special assessment.

## **NOTE 4 – LONG TERM DEBT**

As of December 31, 2003, the Benton Conservation District has a long-term debt of \$14,827.07 for the election of Supervisor in 2001.

## **NOTE 5 – PENSION PLANS**

The Benton Conservation District Board of Supervisors gives each full time permanent employee \$400 per month in addition to their normal income. This dollar amount can be used either by a retirement plan that each employee sets up through AETNA prior to receiving their first payroll check, and/or a purchase of a medical and dental plan.