

Washington State Auditor's Office
Financial Statements Audit Report

Asotin County Conservation District

Audit Period
January 1, 2005 through December 31, 2006

Report No. 74112

Issue Date
March 10, 2008



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

March 10, 2008

Board of Commissioners
Asotin County Conservation District
Clarkston, Washington

Report on Financial Statements

Please find attached our report on the Asotin County 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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Asotin County Conservation District January 1, 2005 through December 31, 2006

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

Asotin County Conservation District January 1, 2005 through December 31, 2006

Board of Commissioners
Asotin County Conservation District
Clarkston, Washington

We have audited the financial statements of the Asotin County Conservation District, Asotin County, Washington, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated January 16, 2008.

We conducted our audits 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 audits, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, 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 for the information and use of the audit committee, management and the Board of Commissioners. 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

January 16, 2008

Independent Auditor's Report on Financial Statements

Asotin County Conservation District January 1, 2005 through December 31, 2006

Board of Commissioners
Asotin County Conservation District
Clarkston, Washington

We have audited the accompanying financial statements of the Asotin County Conservation District, Asotin County, Washington, for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.


We conducted our audits 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 audits provide a reasonable basis for our opinions.

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 Asotin County Conservation District, for the years ended December 31, 2006 and 2005, 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 audits.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a stylized, cursive script.

BRIAN SONNTAG, CGFM
STATE AUDITOR

January 16, 2008

Financial Section

Asotin County Conservation District January 1, 2005 through December 31, 2006

FINANCIAL STATEMENTS

Revenues and Expenses Arising from Cash Transactions – 2006

Revenues and Expenses Arising from Cash Transactions – 2005

Notes to Financial Statements – 2006

Notes to Financial Statements – 2005

ASOTIN COUNTY CONSERVATION DISTRICT
Revenues and Expenditures Arising From Cash Transactions
For the Fiscal Year Ended December 31, 2006

	<u>Actual</u>
BEGINNING NET CASH AND INVESTMENTS	\$103,643.41
(+) Revenues and Other Sources	\$978,307.68
(=) TOTAL REVENUES	\$1,081,951.09
(-) Expenditures and Other Uses	\$973,160.23
(=) EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$108,790.86
(+) Nonrevenues	\$26,020.10
(-) Nonexpenditures	\$33,005.70
(=) ENDING NET CASH AND INVESTMENTS	<u>\$101,805.26</u>

The Accompanying Notes are an Integral Part of the Statement

ASOTIN COUNTY CONSERVATION DISTRICT
Revenues and Expenditures Arising From Cash Transactions
For the Fiscal Year Ended December 31, 2005

	<u>Actual</u>
BEGINNING NET CASH AND INVESTMENTS	\$99,012.24
(+) Revenues and Other Sources	\$1,053,667.34
(=) TOTAL REVENUES	\$1,152,679.58
(-) Expenditures and Other Uses	\$1,034,924.61
(=) EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$117,754.97
(+) Nonrevenues	\$96,960.71
(-) Nonexpenditures	\$111,072.27
(=) ENDING NET CASH AND INVESTMENTS	<u>\$103,643.41</u>

The Accompanying Notes are an Integral Part of the Statement

NOTES TO FINANCIAL STATEMENTS
Asotin County Conservation District
For the Year Ended December 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Asotin County Conservation District was established in June of 1940, and operates under the laws of the state of Washington applicable to a conservation district.

A. Reporting Entity

The District is a special purpose government which provides a variety of services to the general public. The District is supported primarily through basic funding and grants from the Washington State Conservation Commission.

B. Basis of Accounting

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

The accounts of the District are maintained on the basis of funds. For reporting purposes, the District uses only a general fund to account for all financial activities.

The District uses the cash basis of accounting where revenues are recognized only when received in cash, rather than when earned, and expenses are recognized when checks are issued, rather than when expenses are incurred. No fixed asset purchases are capitalized and no depreciation expense is recorded. Interest on debt is recognized when paid, debt retirement is recorded as an expenditure, and inventory is expensed when purchased rather than consumed.

C. Cash

It is the District's policy to invest all temporary cash surpluses. The amount is included on the statement of Revenues and Expenditures Arising from Cash Transactions as Ending Net Cash and Investments.

D. Deposits

The District deposits and certified deposits are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

E. Capital Assets

General fixed assets are long-lived assets of the District. When purchased, leased, or constructed, such assets are recorded as an expenditure. Maintenance and repairs are accounted for as expenses when paid. No depreciation has been provided, nor has interest, if any, been capitalized.

Major expenses for fixed 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 when paid.

F. Compensated Absences

Vacation pay may be accumulated up to 240 hours maximum at the end of the calendar year and is payable upon resignation, retirement, or death. The District's liability for accumulated unused vacation on December 31, 2006 was \$9,134.65.

Sick leave may accumulate up to 640 hours at the end of the calendar year. Sick leave can only be used for paid time off for illness, pregnancy, dental, vision and medical exams, illness of children, spouse or other dependents. Upon resignation/termination, retirement or death, any outstanding sick leave is reimbursed at 50% of the current hourly District wage. The accumulated unused sick leave on December 31, 2006 was \$3,553.30.

NOTE 2 - INVESTMENTS

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

Certificate of Deposit	<u>\$32,510.24</u>
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Total Investments	\$32,510.24
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Management intends to hold the time deposits and securities until maturity.

NOTE 3 – ASSESSMENTS

The district has not imposed a special assessment.

NOTE 4 – LONG TERM DEBT

The District has no long-term debt.

NOTE 5 – PENSION PLANS

The District does not currently participate in a retirement plan.

NOTE 6 – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with Department of Retirement Systems. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Compensation deferred under the plan and all income attributable to the plan are solely the property of the District. The District's rights to this property are subject only to the claims of the District's general creditors until paid to the employee or other beneficiary and are not restricted to the benefit provisions under the plan.

NOTE 7 – OTHER DISCLOSURES

The District has no contingencies and litigation, commitments, related party transactions or subsequent events.

NOTES TO FINANCIAL STATEMENTS
Asotin County Conservation District
For the Year Ended December 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Asotin County Conservation District was established in June of 1940, and operates under the laws of the state of Washington applicable to a conservation district.

A. Reporting Entity

The District is a special purpose government which provides a variety of services to the general public. The District is supported primarily through basic funding and grants from the Washington State Conservation Commission.

B. Basis of Accounting

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

The accounts of the District are maintained on the basis of funds. For reporting purposes, the District uses only a general fund to account for all financial activities.

The District uses the cash basis of accounting where revenues are recognized only when received in cash, rather than when earned, and expenses are recognized when checks are issued, rather than when expenses are incurred. No fixed asset purchases are capitalized and no depreciation expense is recorded. Interest on debt is recognized when paid, debt retirement is recorded as an expenditure, and inventory is expensed when purchased rather than consumed.

C. Cash

It is the District's policy to invest all temporary cash surpluses. The amount is included on the statement of Revenues and Expenditures Arising from Cash Transactions as Ending Net Cash and Investments.

D. Deposits

The District deposits and certified deposits are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

E. Capital Assets

General fixed assets are long-lived assets of the District. When purchased, leased, or constructed, such assets are recorded as an expenditure. Maintenance and repairs are accounted for as expenses when paid. No depreciation has been provided, nor has interest, if any, been capitalized.

Major expenses for fixed 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 when paid.

F. Compensated Absences

Vacation pay may be accumulated up to 240 hours maximum at the end of the calendar year and is payable upon resignation, retirement, or death. The District's liability for accumulated unused vacation on December 31, 2005 was \$15,308.67

Sick leave may accumulate up to 640 hours at the end of the calendar year. Sick leave can only be used for paid time off for illness, pregnancy, dental, vision and medical exams, illness of children, spouse or other dependents. Upon resignation/termination, retirement or death, any outstanding sick leave is reimbursed at 50% of the current hourly District wage. The accumulated unused sick leave on December 31, 2005 was \$5,492.82

NOTE 2 - INVESTMENTS

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

Certificate of Deposit	<u>\$31,384.83</u>
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Total Investments	\$31,384.83
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Management intends to hold the time deposits and securities until maturity.

NOTE 3 – ASSESSMENTS

The district has not imposed a special assessment.

NOTE 4 – LONG TERM DEBT

The District has no long-term debt.

NOTE 5 – PENSION PLANS

The District does not currently participate in a retirement plan.

NOTE 6 – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with Department of Retirement Systems. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Compensation deferred under the plan and all income attributable to the plan are solely the property of the District. The District's rights to this property are subject only to the claims of the District's general creditors until paid to the employee or other beneficiary and are not restricted to the benefit provisions under the plan.

NOTE 7 – OTHER DISCLOSURES

The District has no contingencies and litigation, commitments, related party transactions or subsequent events.



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office has 300 employees who are located around the state to deliver our services effectively and efficiently. Approximately 65 percent of our staff are certified public accountants or hold other certifications and advanced degrees.

Our regular audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. We also perform fraud and whistleblower investigations. In addition, we have the authority to conduct performance audits of state agencies and local governments.

The results of our audits are widely distributed through a variety of reports, which are available on our Web site. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive program to coordinate audit efficiency and to ensure high-quality audits.

State Auditor
Chief of Staff
Chief Policy Advisor
Director of Administration
Director of Audit
Director of Performance Audit
Director of Special Investigations
Director for Legal Affairs
Local Government Liaison
Communications Director
Public Records Officer
Main number
Toll-free hotline for government efficiency

Brian Sonntag, CGFM
Ted Rutt
Jerry Pugnetti
Doug Cochran
Chuck Pfeil, CPA
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Web Site

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