

**YELLOW RIVER SOIL AND WATER
CONSERVATION DISTRICT**

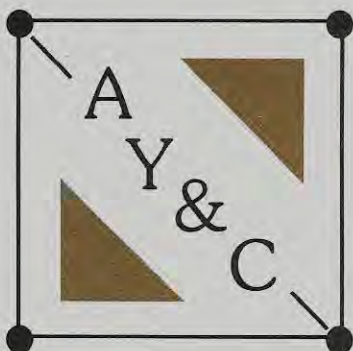
AUDITED FINANCIAL STATEMENTS

September 30, 2011

**YELLOW RIVER SOIL AND WATER
 CONSERVATION DISTRICT
 TABLE OF CONTENTS
 September 30, 2011**

INDEPENDENT AUDITORS' REPORT.....	2	
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4	
BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements:		
Statement of Net Assets.....	8	
Statement of Activities.....	9	
Fund Financial Statements:		
Balance Sheet - Governmental Fund.....	10	
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets.....	11	
Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Fund.....	12	
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities.....	13	
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-Cash Basis-General Fund.....	14	
NOTES TO FINANCIAL STATEMENTS.....	15	
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		21
MANAGEMENT LETTER.....	23	

ALLEN, YAGOW & CARR



CERTIFIED

638 N. Ferdon Blvd. Ste. 1
Crestview, Florida 32536

PACE A. ALLEN, CPA
Retired

PUBLIC

850/682-4033

850/682-4036

Fax 850/682-8682

JAMES A. YAGOW, CPA

ACCOUNTANTS

FRANK W. CARR, CPA

INDEPENDENT AUDITORS' REPORT

The Board of Supervisors
Yellow River Soil and Water
Conservation District
Crestview, Florida

We have audited the accompanying financial statements of the governmental activities of the Yellow River Soil and Water Conservation District as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Yellow River Soil and Water Conservation 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 general purpose 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 opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities of the Yellow River Soil and Water Conservation District as of September 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, on our consideration of the Yellow River Soil and Water Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Allen, Yagow & Carr

Crestview, Florida
December 14, 2012

Yellow River Soil & Water Conservation District

Management Discussion and Analysis For the Year Ended September 30, 2011

Management Discussion and Analysis of the financial statements for the Yellow River Soil and Water Conservation District (the "District") provides an overview of the District's activities for the fiscal year ended September 30, 2011. The District's management has prepared the Management Discussion and Analysis and is responsible for its completeness and fairness. Please review in conjunction with the District's financial statements.

The accompanying financial statements include all activities and functions of the District.

FINANCIAL HIGHLIGHTS

- ❖ Funding for the District is provided mainly from operating contributions from Okaloosa County.
- ❖ The assets of the District exceeded its liabilities by \$40,605 at September 30, 2011.
- ❖ At fiscal year end, the District reported an unassigned fund balance of \$31,366.
- ❖ Total liabilities at September 30, 2011 were \$11,639. Included in this amount were accruals for delinquent payroll taxes of \$11,541. These amounts were paid in the 2012 fiscal year and the District is now current with all payroll tax liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Yellow River Soil and Water Conservation Districts basic financial statements. Based on Florida Statute guidelines, the District's financial statements are not required to be audited each year. Therefore, comparable analysis is not available at this time. Comparative analysis will be provided in future years when prior year audited information is available. There are three integral components to the Districts financial statements: 1) Government-wide financial statements 2) Fund financial statements and 3) Notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private business. The government-wide statements include all assets and liabilities and use the accrual basis of accounting, which provides for recording revenues when earned and recording expenses when a liability is incurred, regardless of the timing of related cash flows. The government-wide financial statements include the Statement of Net Assets and Statement of Activities.

The Statement of Net Assets is used to report all that the District's assets and liabilities. The difference between assets and liabilities is reported as net assets.

The Statement of Activities presents information showing how the District's net assets changed during the fiscal year. On a current note, funding from Okaloosa County

decreased by approximately \$5,000 from the prior year amount, and has been reduced to \$47,000 and \$45,000 for the 2012 and 2013 fiscal years. The District is closely monitoring its expenditures and is also actively pursuing other revenue sources.

In summary, the Statement of Net Assets reports the District's net assets and the Statement of Activities reports the District's changes in net assets. The District's net assets (the difference between assets and liabilities) are one way to measure the District's financial position. Over time, increases and decreases in the District's net assets are one indicator of whether financial position is improving or deteriorating.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's one fund is a governmental fund.

Governmental funds are used to report all of the District's basic services. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

The District's governmental fund financial statements include the Balance Sheet, and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

All revenues are accounted for in our operational fund. From this fund, all general operating expenditures and personal service expenditures are paid.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL ANALYSIS

NET ASSETS

Current and other assets		\$42,995
Capital Assets		<u>\$ 9,249</u>
	Total Assets	\$52,244
Liabilities		<u>\$11,639</u>
	Total Assets and Liabilities	<u>\$40,605</u>

Net Assets:		
Invested in Capital Assets, Net of related debt		\$ 9,249
Unassigned		<u>\$31,356</u>
	Total Net Assets	<u>\$40,605</u>

CHANGE IN NET ASSETS

Revenues:		
Program Revenues		\$38,126
Charges for Services		\$58,758
Operating grants and contributions		
General Revenues		\$ 19
Interest Income		<u>\$ 2,521</u>
Miscellaneous		<u>\$99,424</u>
	Total Revenues	
Expenses:		\$109,398
Physical Environment		<u>\$109,398</u>
	Total Expenses	
Change in Net Assets		(\$9,974)
Net Assets – Beginning of Year		<u>\$50,579</u>
Net Assets – End of Year		<u>\$40,605</u>

The District's net assets decreased by \$9,974 during the fiscal year due to the recording of depreciation expense. The District has an unassigned net asset balance of \$31,356 which may be used to meet ongoing obligations.

CAPITAL ASSETS

The District's total of capital assets (net of depreciation) was \$9,249. These investments in capital assets are primarily equipment and some furniture and fixtures. Capital assets purchases during the fiscal year totaled \$1,178. Capital assets, net of related depreciation at September 30, 2011 were:

Furniture and Fixtures	\$2,907
Equipment	<u>\$6,342</u>
Total	<u>\$9,249</u>

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or for additional financial information should be addressed to:

Susan Holley, District Secretary
Yellow River Soil and Water Conservation District
938 N. Ferdon Blvd. - Crestview, FL 32536
(850) 682-3714 ext. 101

YELLOW RIVER SOIL AND WATER
 CONSERVATION DISTRICT
 STATEMENT OF NET ASSETS
 September 30, 2011

	Governmental Activities
ASSETS	
Current assets:	
Cash	\$ 36,043
Due from other agencies	<u>6,952</u>
Total current assets	42,995
Noncurrent assets:	
Capital assets, net of related depreciation:	
Equipment	6,342
Furniture & fixtures	<u>2,907</u>
Total noncurrent assets	<u>9,249</u>
TOTAL ASSETS	<u>\$ 52,244</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	98
Accrued payroll taxes	<u>11,541</u>
TOTAL LIABILITIES	11,639
 NET ASSETS	
Investment in capital assets, net of related debt	9,249
Unassigned	<u>31,356</u>
TOTAL NET ASSETS	<u>40,605</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 52,244</u>

The notes to the financial statements are an integral part of this statement.

YELLOW RIVER SOIL AND WATER
 CONSERVATION DISTRICT
 STATEMENT OF ACTIVITIES
 September 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)/ Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Physical Environment	<u>\$ 109,398</u>	<u>\$ 38,126</u>	<u>\$ 58,758</u>	<u>\$ ---</u>	\$ (12,514)
Total	<u>\$ 109,398</u>	<u>\$ 38,126</u>	<u>\$ 58,758</u>	<u>\$ ---</u>	\$ (12,514)
General revenues:					
					19
					<u>2,521</u>
					<u>2,540</u>
					(9,974)
					<u>50,579</u>
					<u>\$ 40,605</u>

The notes to the financial statements are an integral part of this statement.

YELLOW RIVER SOIL AND WATER
 CONSERVATION DISTRICT
 BALANCE SHEET- GOVERNMENTAL FUND
 September 30, 2011

	General Fund
ASSETS	
Cash and cash equivalents	\$ 36 043
Due from other agencies	<u>6,952</u>
TOTAL ASSETS	<u>\$ 42,995</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 98
Accrued payroll taxes	<u>11,541</u>
TOTAL LIABILITIES	11,639
Fund balance:	
Unassigned	<u>31,356</u>
Total fund balance	<u>31,356</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 42,995</u>

The notes to financial statements are an integral part of this statement.

YELLOW RIVER SOIL AND WATER
 CONSERVATION DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUND
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 September 30, 2011

Fund balance - governmental fund		\$ 31,356
Amount reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund. Those assets consist of:		
Furniture and fixtures, net of \$27,797		
accumulated depreciation	\$ 2,907	
Equipment, net of \$35,668		
accumulated depreciation	<u>6,342</u>	
		<u>9,249</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 40,605</u>

The notes to the financial statements are an integral part of this statement.

YELLOW RIVER SOIL AND WATER
 CONSERVATION DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE--GOVERNMENTAL FUND
 Year Ended September 30, 2011

	<u>General Fund</u>
REVENUES	
Intergovernmental	\$ 96,884
Interest	19
Miscellaneous-primarily equipment rental	<u>2,521</u>
TOTAL REVENUES	99,424
EXPENDITURES	
Current:	
Physical environment	104,765
Capital outlay	<u>1,178</u>
TOTAL EXPENDITURES	<u>105,943</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,519)
FUND BALANCE AT BEGINNING OF YEAR	<u>37,875</u>
FUND BALANCE AT END OF YEAR	<u>\$ 31,356</u>

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

YELLOW RIVER SOIL AND WATER
CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2011

Net change in fund balance - governmental fund \$ (6,519)

Amounts reported for governmental activities in
the statement of activities are different because:

The governmental fund reports capital outlay as expenditures.
However, in the statement of activities, the cost of those assets
is allocated over their estimated useful lives as depreciation
expense. This is the amount by which depreciation (\$4,633)
exceeds capital outlay (\$1,178) in the current year.

(3,455)

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (9,974)

The notes to the financial statements are an integral part of this statement.

YELLOW RIVER SOIL AND WATER
 CONSERVATION DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE--BUDGET AND ACTUAL--CASH BASIS--GENERAL FUND
 Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 49,577	\$ 49,577	\$ 94,589	\$ 45,012
Interest	---	---	16	16
Miscellaneous	---	---	2,521	2,521
Total Revenues	<u>49,577</u>	<u>49,577</u>	<u>97,126</u>	<u>47,549</u>
Expenditures:				
Current:				
Physical Environment	49,577	49,577	93,645	(44,188)
Capital Outlay	---	---	1,178	(1,178)
Total Expenditures	<u>49,577</u>	<u>49,577</u>	<u>94,823</u>	<u>(45,246)</u>
Excess of Revenues Over (Under) Expenditures	---	---	(2,303)	(2,303)
Fund Balance at Beginning of Year	<u>---</u>	<u>---</u>	<u>37,875</u>	<u>37,875</u>
Fund Balance at End of Year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 40,178</u>	<u>\$ 40,178</u>

The notes to the financial statements are an integral part of this statement.

YELLOW RIVER SOIL AND WATER
CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Yellow River Soil and Water Conservation District was formed on June 20, 1941 in accordance with the provisions of the Florida Soil Conservation District Act of 1937, Chapter 18144 as amended by the Act of 1953, Chapter 38094. The purpose of the District is to provide assistance to local, state and federal agencies as well as other groups in solving their soil and water conservation problems. The general purpose financial statements of the Yellow River Soil and Water Conservation District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's policies are described below:

In June 1999, the Governmental Accounting Standards Board, (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

❖ The financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the District's activities.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

The Reporting Entity

The District, for financial purposes, includes all funds relative to the operation of the Yellow River Soil and Water Conservation District. As required by accounting principles generally accepted in the United States, these financial statements present all activities of the Yellow River Soil and Water Conservation District. As of September 30, 2011, the District had no component units as defined by GASB 14.

YELLOW RIVER SOIL AND WATER
CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2011

NOTE A-- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIC FINANCIAL STATEMENTS -- GOVERNMENT - WIDE STATEMENTS

The District's basic financial statements include both government-wide and fund financial statements.

In the Government-Wide Statement of Net Assets, the governmental activities are reported on a full accrual, economic resource measurement basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The District's net assets are reported in two parts: invested in capital assets, net of related debt, and unassigned net assets.

The Government-Wide Statement of Activities reports both the gross and net cost of the District's function: physical environment. The function is supported primarily by operating contributions from the County. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating contributions. Program revenues must be directly associated with the function. The capital grants column reflects capital-specific grants, if any were received.

The net costs are normally covered by general revenues. The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

BASIC FINANCIAL STATEMENTS -- FUND FINANCIAL STATEMENTS

The financial transactions of the District are reported in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses.

YELLOW RIVER SOIL AND WATER
CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2011

NOTE A-- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following fund is used by the District:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the District:

- **General fund** is the general operating fund of the District. It is used to account for all financial resources.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurements focus applied.

Accrual:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction is known, or can be reasonably estimated. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, as under accrual accounting. The exception to this general rule is that principal and interest on general obligation long-term debt, are recorded only when payment is due.

YELLOW RIVER SOIL AND WATER
CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2011

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL STATEMENT AMOUNTS

Cash

The District's cash is carried in a qualified public depository. Therefore, the District believes all of its deposits are fully insured or collateralized. Florida Statutes authorize the investment of surplus funds in interest-bearing time deposits or saving accounts, the State of Florida Local Government Surplus Funds Trust Fund, and certain obligations of the United States Government.

Capital Assets

Effective with the 2006 fiscal year, capital assets purchased, or acquired, with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight - line basis over the following estimated useful lives:

Furniture and fixtures	5 - 7 years
Machinery and equipment	5 - 20 years

Revenues

A significant portion of the District's funding (approximately 61% of total revenues) is derived from Okaloosa County, Florida in the form of annual appropriations.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities, the 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. Actual results could differ from those estimates.

Budgets

The District is legally required to adopt a budget. The initial budget was prepared and approved for the year ended September 30, 2011, to comply with Florida Statues. See Note G for a reconciliation from the adopted cash basis budget amounts to the GAAP (modified accrual) basis.

YELLOW RIVER SOIL AND WATER
 CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 September 30, 2011

NOTE B --CASH

At year's end, the carrying amount of the District's cash on deposit was \$36,043 and the bank balance was \$36,043. These funds are on deposit with a qualified public depository and are fully insured or collateralized.

NOTE C -- DUE FROM OTHER AGENCY

Unrestricted amounts due from other agencies represent amounts due from Florida Three Rivers Resource Conservation and Development Council, Inc.

NOTE D -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Furniture and fixtures	\$ 29,526	\$ 1,178	\$ ---	\$ 30,704
Equipment	<u>42,010</u>	<u>---</u>	<u>---</u>	<u>42,010</u>
Total assets, being depreciated	71,536	1,178	---	72,714
Less accumulated depreciation for:				
Furniture and fixtures	(25,905)	(892)	---	(27,797)
Equipment	<u>(31,927)</u>	<u>(3,741)</u>	<u>---</u>	<u>(35,668)</u>
Total accumulated depreciation	<u>(58,832)</u>	<u>(4,633)</u>	<u>---</u>	<u>(63,465)</u>
Total capital assets, being depreciated, net	12,704	(3,455)	---	9,249
Governmental activities capital assets, net	<u>\$ 12,704</u>	<u>\$ (3,455)</u>	<u>\$ ---</u>	<u>\$ 9,249</u>

Depreciation expense was charged to the physical environment function.

YELLOW RIVER SOIL AND WATER
 CONSERVATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 September 30, 2011

NOTE E -- RISK MANAGEMENT

The Yellow River Soil and Water Conservation District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. General liability and fire coverage on the premises is provided through another Federal agency. The District retains the risk of loss for amounts up to the deductibles and for amounts in excess of policy limits.

NOTE F -- SUBSEQUENT EVENTS

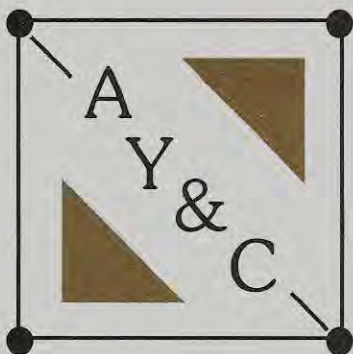
Management has evaluated subsequent events through December 14, 2012, the date the financial statements were available to be issued.

NOTE G -- GAAP BASIS BUDGET RECONCILIATION

The budget as adopted reflected the cash basis if accounting. The actual column requires the following adjustments to reflect the GAAP (modified accrual) basis of accounting:

	Revenues
As reported	\$ 97,126
Accrued revenue	2,298
GAAP basis	<u>\$ 99,424</u>
	Expenditures
As reported	\$ 94,823
Accounts payable net of prior year reversals	(421)
Payroll tax liabilities	11,541
GAAP basis	<u>\$ 105,943</u>
	Fund Balance Change
As reported	\$ 2,303
Revenue accrual	2,298
Accounts payable	421
Payroll tax liabilities	(11,541)
	<u>(8,822)</u>
GAAP basis	(6,519)
Beginning fund balance	37,875
Ending fund balance	<u>\$ 31,356</u>

ALLEN, YAGOW & CARR



CERTIFIED

638 N. Ferdon Blvd. Ste. 1

PACE A. ALLEN, CPA
Retired

Crestview, Florida 32536

850/682-4033

850/682-4036

PUBLIC

Fax 850/682-8682

JAMES A. YAGOW, CPA

ACCOUNTANTS

FRANK W. CARR, CPA

**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**

The Board of Supervisors
Yellow River Soil and Water
Conservation District
Crestview, Florida

We have audited the financial statements of the governmental activities of the Yellow River Soil and Water Conservation District as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Yellow River Soil and Water 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Yellow River Soil and Water 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Yellow River Soil and Water Conservation District's financial statements are free of material misstatement, we performed tests of its 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 statements 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 the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

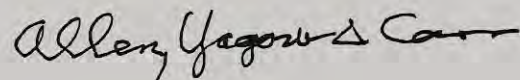
Prior Year Findings and Recommendations:

FINDING: The District is required by Section 440, Florida Statutes, to provide workers compensation insurance coverage.

RECOMMENDATION: The District should obtain workers compensation insurance coverage for its employees.

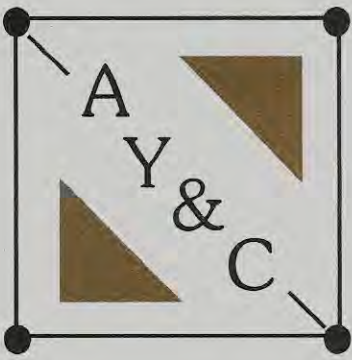
MANAGEMENT RESPONSE: The District has continued its efforts to obtain coverage, but has not been successful due to the number of employees (one full-time and one part-time).

This report is intended solely for the information and use of the Board of Supervisors and the *Auditor General of the State of Florida*, and is not intended to be and should not be used by anyone other than these specified parties.



Crestview, Florida
December 14, 2012

ALLEN, YAGOW & CARR



CERTIFIED

638 N. Ferdon Blvd. Ste. 1
Crestview, Florida 32536

PACE A. ALLEN, CPA
Retired

850/682-4033

850/682-4036

PUBLIC

Fax 850/682-8682

JAMES A. YAGOW, CPA

ACCOUNTANTS

FRANK W. CARR, CPA

MANAGEMENT LETTER

The Board of Supervisors
Yellow River Soil and Water
Conservation District
Crestview, Florida

We have audited the financial statements of the Yellow River Soil and Water Conservation District, as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated December 14, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and **Government Auditing Standards** issued by the Comptroller General of the United States. We have issued our 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** dated December 14, 2012. Disclosures in such reports, if any, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local government entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- ◆ Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted in the Compliance and Other Matter section of the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

- ◆ Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Yellow River Soil and Water Conservation District complied with Section 218.415, Florida Statutes.
- ◆ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- ◆ Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- ◆ Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- ◆ Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government be disclosed in this management letter, unless disclosed in the notes to the financial statements. See Note A to the financial statements.
- ◆ Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Yellow River Soil and Water Conservation District did not meet any of the conditions described in Section 218.50333(1), Florida Statutes.
- ◆ Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Yellow River Soil and Water Conservation District for the fiscal year ended September 30, 2011 filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.

- ♦ Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Yellow River Soil and Water Conservation District financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing Standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and used of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Glasgow & Carr

Crestview, Florida
December 14, 2012