



South Central Washington Resource Conservation and Development Council

Financial Statement and Independent Auditors' Reports

December 31, 2009

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**Martin, Holland &
Petersen, P.L.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

Mathew D. Petersen
Ryan D. Smith
Abby M. Sanders
Of Counsel
Robert J. Martin

INDEPENDENT AUDITORS' REPORT

Council Officers
South Central Washington Resource
Conservation and Development Council
Yakima, Washington

We have audited the accompanying statement of assets, liabilities, and net assets – modified cash basis of South Central Washington Resource Conservation and Development Council, a nonprofit organization, as of December 31, 2009, and the related statement of revenue, expenses, and other changes in net assets— modified cash basis for the year then ended. These financial statements are the responsibility of South Central Washington Resource Conservation and Development Council 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 the 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, these financial statements were prepared on the modified cash basis of accounting, 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 assets, liabilities, and net assets of South Central Washington Resource Conservation and Development Council as of December 31, 2009, and its revenue and expenses and other changes in net assets for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2010, on our consideration of South Central Washington Resource Conservation and Development Council'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 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of South Central Washington Resource Conservation and Development Council taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit*

Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Martin, Holland + Petersen, PLLC

September 21, 2010

**South Central Washington Resource Conservations
and Development Council**
Statement of Assets, Liabilities and Net Assets – Modified Cash Basis
December 31, 2009

Assets

Current Assets:

Cash and cash equivalents	\$ 208,932
Total current assets	<u>208,932</u>

\$ 208,932

Liabilities and Net Assets

Current Liabilities:

Payroll taxes	\$ 1,374
Total current liabilities	<u>1,374</u>

Net Assets:

Unrestricted, undesignated	<u>207,558</u>
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\$ 208,932

See accompanying notes to financial statements.

**South Central Washington Resource Conservation
and Development Council**
Statement of Support, Revenue and Expenses – Modified Cash Basis
December 31, 2009

Revenue, Gains and Support:

Federal grants and contracts	\$	854,849
Other grant income		125,000
Interest income		1,330
Other income		15,208
Dues		1,600
Total revenue, gains and support		997,987

Expenses:

<i>Program service expenses:</i>		
Salaries and wages	\$	61,044
Fringe benefits		10,029
Miscellaneous		124
<i>Consulting and Engineering:</i>		
North Yakima Conservation District		291,529
Kittitas County Conservation District		260,562
Washington Department of Fish and Wildlife		95,415
Mid Columbia Fisheries		74,596
Other		85,481
Supplies		5,555
Insurance		1,405
		885,740
<i>Management and general expenses:</i>		
Dues and subscriptions		400
Professional fees		10,875
Telephone and internet services		163
Travel		6,696
		18,134
Total expenses		903,874

Change in Unrestricted Net Assets 94,113

Unrestricted Net Assets, Beginning of Year 113,445

Unrestricted Net Assets, End of Year \$ 207,558

South Central Washington Resource Conservation and Development Council

Notes to Financial Statements

NOTE 1 —Organization:

South Central Washington Resource Conservation and Development Council (SCWRC&D) is a nonprofit organization incorporated in the state of Washington that provides leadership on issues of regional significance by providing technical assistance on planning, coordination, and implementation of natural resource conservation and community economic development initiatives which promote a sustainable and rural lifestyle for current and future generations.

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. SCWRC&D has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions.

NOTE 2 – Summary of Significant Accounting Policies:

Method of accounting – The books and records are maintained on the modified cash basis of accounting. Consequently, with certain exceptions, revenues are recognized when cash is received rather than when earned or promised, and expenses are recognized when cash is paid rather than when an obligation is incurred. The Organization has elected to modify the cash basis of accounting to accrue unpaid payroll taxes in the Statement of Assets, Liabilities and Net Assets – Modified Cash Basis.

Financial statement presentation – The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

Unrestricted net assets – Those net assets which are currently available for use in the Organization’s activities

Temporarily restricted net assets – Those net assets which are restricted by donors for specific purposes or time periods. There were no temporarily restricted net assets at December 31, 2009.

Permanently restricted net assets – Those net assets which are subject to donor-imposed stipulations that require their permanent maintenance by the Organization. There were no permanently restricted net assets at December 31, 2009.

Contributions – All contributions are considered available for utilization in the general programs of SCWRC&D unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Support, Revenue, and Expenses – Modified Cash Basis as net assets released from restrictions.

Under its method of accounting, SCWRC&D has not recognized as revenues contributions of land, buildings and equipment or services which might otherwise meet the recognition criteria of U.S. generally accepted accounting principles. SCWRC&D also utilizes volunteer and donated services in many of its activities, the value of which is not reflected in the financial statements.

Property and equipment – Under its method of accounting, SCWRC&D has not recognized the purchase of property and equipment as an asset in its statement of assets, liabilities and net assets – modified cash basis, rather they are reported as a current period expense in the statement of support, revenue and expenses – modified cash basis.

Estimates – The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cost allocation method – Indirect costs have been allocated to programs based on the purpose of the payment and the actual costs incurred.

South Central Washington Resource Conservation and Development Council

Notes to Financial Statements

NOTE 3 – Commitments and Contingencies:

Grant and contract expenditures are subject to the approval of various granting and contracting agencies. To be eligible for reimbursement of expenditures made under federal, state, and locally funded programs, SCWRC&D must comply with regulations established by the related agency. Agency determination of a failure to comply with such regulations may result in disallowed costs and a liability for reimbursements received.

NOTE 4 — Concentrations of Risk:

SCWRC&D maintains cash balances on deposit in banks which are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2009, SCWRC&D had no cash in banks which exceeded the insured amount.

NOTE 5 — Subsequent Event:

Management has evaluated subsequent events through September 21, 2010, the date the financial statements were available to be issued.

SINGLE AUDIT SECTION

AUDITORS' SECTION



**Martin, Holland &
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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' 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*

Council Officers
South Central Washington Resource
Conservation and Development Council
Yakima, Washington

We have audited the financial statements of South Central Washington Resource Conservation and Development Council as of and for the year ended December 31, 2009, and have issued our report thereon dated September 21, 2010. 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 South Central Washington Resource Conservation and Development Council'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 South Central Washington Resource Conservation and Development Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 South Central Washington Resource Conservation and Development Council'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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Martin, Holland + Petersen, PLLC

September 21, 2010



**Martin, Holland &
Petersen, P.L.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

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Ryan D. Smith
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Of Counsel
Robert J. Martin

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Council Officers
South Central Washington Resource
Conservation and Development Council
Yakima, Washington

Compliance

We have audited the compliance of South Central Washington Resource Conservation and Development Council with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. South Central Washington Resource Conservation and Development Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of South Central Washington Resource Conservation and Development Council's management. Our responsibility is to express an opinion on South Central Washington Resource Conservation and Development Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Central Washington Resource Conservation and Development Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of South Central Washington Resource Conservation and Development Council's compliance with those requirements.

In our opinion, South Central Washington Resource Conservation and Development Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control over Compliance

Management of South Central Washington Resource Conservation and Development Council is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered South Central Washington Resource Conservation and Development Council's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in

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order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Central Washington Resource Conservation and Development Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

South Central Washington Resource Conservation and Development Council's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit South Central Washington Resource Conservation and Development Council's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Martin, Holland + Petersen, PLLC

September 21, 2010

**South Central Washington Resource Conservation
and Development Council
Schedule of Audit Findings
Year Ended December 31, 2009**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of Major Program:

CFDA Number(s) Name of Federal Program or Cluster

81.xxx Yakima Tributary Access and Habitat Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

No matters were reported

Section III – Federal Award Findings and Questioned Costs

No matters were reported

AUDITEE'S SECTION

**South Central Washington Resource Conservation
and Development Council
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2009**

Federal Grantor/ Program Title	CFDA	Contract Number	Disbursements/ Expenditures
<u>DEPARTMENT OF ENERGY</u>			
<i>Passed through Bonneville Power Administration:</i>			
Yakima Tributary Access and Habitat Program	81.xxx	00042079	\$ 854,849
		Total Federal Awards	<u>\$ 854,849</u>

**South Central Washington Resource Conservation
and Development Council
Corrective Action Plan
Year Ended December 31, 2009**

The current year Schedule of Audit Findings reported no matters in Section II – Financial Statement Findings nor in Section III-Federal Award Findings and Questioned Costs. Therefore, no corrective action plan is necessary nor has one been prepared.

**South Central Washington Resource Conservation
and Development Council**
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2009

DEPARTMENT OF ENERGY

FINDING 2008-1: Yakima Tributary Access and Habitat Program, CFDA 81.xxx

Condition: The Organization omitted an amount on the billing to Bonneville Power Administration, which could have resulted in a reduction in financial resources available to the Organization. Subsequent to year end the omitted billing was submitted and payment received.

Recommendation: The auditor recommended that procedures be implemented requiring a second party review of each billing, and verification to the amounts invoiced to Bonneville Power Administration.

Current status: The audit finding is resolved. The recommendation was adopted in 2009, and no similar findings were noted in the 2010 audit.