

**WOODS COUNTY CONSERVATION DISTRICT**

**Independent Auditor's Report and  
Financial Statements**

**Year Ended June 30, 2020**

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**JANA A. WALKER, CPA**

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# WOODS COUNTY CONSERVATION DISTRICT

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For the Year Ended June 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Woods County Conservation District

**Report on the Financial Statements**

We have audited the accompanying financial statements of Woods County Conservation District, which comprise the statement of net position—modified cash basis of accounting as of June 30, 2020, and the related statements of activities—modified cash basis of accounting and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Woods County Conservation District as of June 30, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020, on our consideration of Woods County Conservation 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 solely 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 effectiveness of Woods County Conservation District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Woods County Conservation District's internal control over financial reporting and compliance.



Jana A. Walker, CPA, PLLC  
Woodward, Oklahoma  
October 5, 2020

**WOODS COUNTY CONSERVATION DISTRICT**  
**STATEMENT OF NET POSITION—MODIFIED CASH BASIS**  
**As of June 30, 2020**

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**Assets**

Current assets:

Cash and cash equivalents	\$ 38,427
Total current assets	<u>38,427</u>

Noncurrent assets:

Property and equipment-unrestricted	122,692
Property and equipment-restricted	71,609
Less: Accumulated depreciation	<u>(127,669)</u>
Total noncurrent assets	<u>66,632</u>

Total assets	<u><u>\$ 105,059</u></u>
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**Liabilities and Net Position**

Liabilities:	\$ -
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Net position:

Net investment in capital assets	66,632
Unrestricted	<u>38,427</u>
Total net position	<u>105,059</u>

Total liabilities and net position	<u><u>\$ 105,059</u></u>
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The accompanying report and notes are an integral part of these financial statements.

**WOODS COUNTY CONSERVATION DISTRICT**  
**STATEMENT OF ACTIVITIES—MODIFIED CASH BASIS**  
**For the Year Ended June 30, 2020**

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Operating revenues:	
Sales, service & rentals	\$ 62,834
Cost share received	36,906
Grants and donations	59,004
Plat books and maps	-
Other income	2,720
Total Operating Revenues	161,464
Operating Expenses	
Payroll	43,980
Payroll Taxes, Insurance & Retirement	15,480
Utilities and telephone	4,042
Office supplies	787
Equipment repairs, fuel, and supplies	2,666
Seed, grass and plat book	29,773
Equipment Rented	443
Insurance and bonds	3,785
Depreciation	13,732
Travel & Meeting expense	893
Cost Share Payments	39,406
Field Days, Awards, Donation, Advertising	707
Total operating expenses	155,694
Operating (loss) income	5,770
Non-operating revenues (expenses):	
OCC reimbursements	58,006
Interest income	146
Total non-operating revenues (expenses)	58,152
Changes in net position	63,922
Net position, beginning of year	41,137
Net position, end of year	\$ 105,059

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

**WOODS COUNTY CONSERVATION DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**For the year ended June 30, 2020**

<b>Cash flows from operating activities:</b>	
Cash received for services	\$ 99,740
Cash payments to suppliers for goods and services	(97,983)
Cash paid to employees	(43,980)
Other receipts	13,520
Net cash (used in) provided by operating activities	<u>(28,703)</u>
 <b>Cash flows from noncapital financing activities:</b>	
Cash receipts from the Oklahoma Conservation Commission	58,006
 <b>Cash flows from capital and related financing activities:</b>	
Purchase of equipment	(23,404)
Net cash used in capital and related financing activities	<u>(23,404)</u>
 <b>Cash flows from investing activities:</b>	
Interest income	146
Net cash provided by investing activities	<u>146</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	6,045
Cash and cash equivalents at beginning of year	<u>32,382</u>
Cash and cash equivalents at end of year	<u><u>\$ 38,427</u></u>
 <b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating (loss) income	\$ 5,770
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	13,732
In-kind donation	<u>(48,205)</u>
Net cash (used in) provided by operating activities	<u><u>\$ (28,703)</u></u>

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

# WOODS COUNTY CONSERVATION DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2020

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### (1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization**

The Woods County Conservation District (the “District”) under Title 27A, Sections 3-1-101 through 3-3-410, as amended, of the laws of the State of Oklahoma. The District is a component of the Oklahoma Conservation Commission. The purpose of the District is to provide for the conservation of the renewable natural resources in the area for which the District is responsible.

#### **Measurement Focus and Basis of Accounting**

The financial statements have been prepared in accordance with a basis of accounting other than accounting principles generally accepted in the United States of America. Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

##### ***Measurement Focus***

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District’s financial statements have been presented using the economic resources measurement focus. The accounting objective of the economic resource measurement focus is the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with the District’s activities are reported.

##### ***Basis of Accounting***

The financial statements are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in accounting principles generally accepted in the United States. These modifications include adjustments for the following balances arising from the following transactions:

- Capital assets purchased or donated and the depreciation of those assets

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, accrued revenue and receivables, and revenue received from gifts-in-kind) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.



# WOODS COUNTY CONSERVATION DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2020

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### (1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

#### **Advertising Costs**

All costs associated with advertising are expensed as incurred.

#### **Cash and Cash Equivalents**

##### *Deposits and Investments*

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

##### *Fair Value of Financial Instruments*

The District's financial instruments include cash and cash equivalents. The District's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net assets. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

#### **Capital Assets**

Capital assets arising from cash transactions or donations are accounted for as assets in the statements of net position—modified cash basis. All capital assets are valued at historical cost, estimated historical cost if actual is unavailable, or fair value at the time of donation. Capital assets acquired by the District are considered to be owned by the District. Presently the District capitalizes, at cost, all expenditures for capital assets in excess of \$500.

**WOODS COUNTY CONSERVATION DISTRICT**

**Notes to Financial Statements  
For the Year Ended June 30, 2020**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Capital Assets-continued**

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the statements of revenues, expenses, and changes in net position—modified cash basis, with accumulated depreciation reflected in the statements of net position—modified cash basis. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The estimated useful lives by type of asset are as follows:

Buildings and improvements	20 to 27 years
Furniture and equipment	5 to 7 years
Vehicles	5 to 7 years

**Equity Classification**

Equity is classified as a net position and displayed in one of the following three components:

- a. Net investment in capital assets—consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- b. Restricted for debt service—consists of net positions with constraints placed on the use either by (1) external groups such as creditors, grantees, or contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted—all other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When an expense is incurred that can be paid using either restricted or unrestricted sources, the District’s policy is to first apply the expense towards restricted resources and then toward unrestricted resources.

**Oklahoma Conservation Commission**

The District is reimbursed by the Oklahoma Conservation Commission for salaries, payroll taxes, mileage, telephone charges, office supplies, and certain other office expenses. When received, such reimbursements are recognized as non-operating revenues.

# WOODS COUNTY CONSERVATION DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2020

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### (1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. CONTINUED**

#### **Use of Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense and the estimated value of property contributed); accordingly, actual results could differ from those estimates.

#### **Classification of Revenues**

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

**Operating revenues:** Operating revenues include activities that have the characteristics of exchange transactions; such as (1) sales, service, & rentals; (2) Cost share received; (3) Plat books and maps; and (4) certain other revenue.

**Nonoperating revenues:** Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by *GASB No. 9 Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations, governmental and other pass-through grants, and investment income

#### **Date of Management's Review of Subsequent Events**

Management has evaluated subsequent events through October 5, 2020 the date which the financial statements were available to be issued and determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

**WOODS COUNTY CONSERVATION DISTRICT**

**Notes to Financial Statements  
For the Year Ended June 30, 2020**

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**(2) CASHLAND INVESTMENTS**

**Custodial Credit Risk—Cash**

As of June 30, 2020, the District had deposits in financial institutions, reported as components of cash and cash equivalents. The District had depository insurance on amounts up to \$250,000. As of June 30, 2020 no deposits were exposed to custodial credit risk.

**Investments**

The District had no investments as of June 30, 2020.

**(3) CAPITAL ASSETS**

Capital asset activity, resulting from cash transactions and donations, for the fiscal years ended June 30, 2020, was as follows:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Deletions</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital assets:				
Land & Buildings	\$ 22,793	\$ -0-	\$ -0-	\$ 22,793
Machinery and equipment	99,899	-0-	71,609	171,508
Total	<u>122,692</u>	<u>-0-</u>	<u>71,609</u>	<u>194,301</u>
Less accumulated depreciation:				
Buildings	(22,793)	-0-	-0-	(22,793)
Equipment	(91,144)	-0-	(13,732)	(104,876)
Total	<u>(113,937)</u>	<u>-0-</u>	<u>(13,732)</u>	<u>(127,669)</u>
Capital assets, net	<u>\$ 8,755</u>			<u>\$ 66,632</u>

**(4) EMPLOYEE BENEFIT PLAN**

Oklahoma public employees who work 1,599 hours or more per year were enrolled in the Oklahoma Public Employees Retirement System. On salaries paid from reimbursable funds from the Oklahoma Conservation Commission the employers 16½ % share of retirement was paid directly by the Commission. The employees' share of the retirement contribution was 3½% of locally earned wages and 3 ½% of state reimbursable wages.

# WOODS COUNTY CONSERVATION DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2020

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### (5) **RESTRICTED ASSETS**

The District received a REAP grant in the amount of \$48,204 that was credited to the purchase of equipment. The total purchase price of the equipment was \$71,609 and is for a period of 5 years per the grant agreement.

### (6) **COMPENSATED ABSENCES**

The District did not accrue a liability for vacation pay or other compensated absences. The amount of earned unpaid compensated absences at June 30, 2020 was approximately \$4,798.

### (7) **CONCENTRATION OF INCOME**

In a typical year, the District receives approximately 35% of its funding from the Oklahoma Conservation Commission. Due to the uncertainty of maintaining those levels of funding from year to year it is possible that the operations of the organization would have to be curtailed significantly in the event that those appropriations were not made. Due to the extent those revenues make up the total revenues of the organization, loss of that funding could have a material impact on the financial position of the organization as a whole.

### (8) **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The District maintains insurance coverage for these risks.

### (9) **COMMITMENTS AND CONTINGENCIES**

#### **Litigation**

The nature of the District's business may result in claims and litigation alleging that the District is liable for damages arising from the conduct of its employees or others. In the opinion of management, there are no pending legal proceedings that would have a material effect on the financial position or results of operations of the District.

## **SUPPLEMENTAL INFORMATION**

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*

To the Board of Directors of  
Woods County Conservation District

We have audited, in accordance with the 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, the financial statements of Woods County Conservation District (a nonprofit organization), which comprise the statement of net position—modified cash basis of accounting as of June 30, 2020, and the related statements of activities—modified cash basis of accounting, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Woods County Conservation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Woods County Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Woods County Conservation District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-1 that we consider to be material weaknesses

**Compliance and Other Matters**

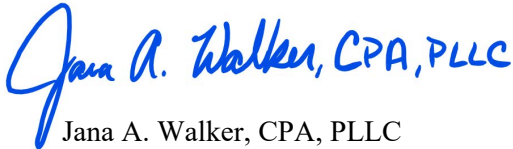
As part of obtaining reasonable assurance about whether Woods County Conservation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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.

## **Woods County Conservation District's Response to Findings**

Woods County Conservation District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Woods County Conservation District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jana A. Walker, CPA, PLLC  
Woodward, OK  
October 5, 2020



**Woods County Conservation District  
Schedule of Findings and Responses  
Year Ended June 30, 2020**

**FINDING 2020-1 Lack of Segregation of Duties**

Condition: The District does not have adequate segregation of duties for internal control over financial accounting and reporting. The same individual is responsible for invoices, bill payment, reconciliation, and monthly financial reporting.

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the District's assets and ensure accurate financial reporting.

Cause: The District's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect These conditions could result in material errors or fraud occurring and not be detected on a timely basis.

Recommendation: Recommend that duties be segregated to the extent possible should consider implementing controls that could mitigate these risks.

Current Status: The Board is aware of the issue and uses their oversight to mitigate the risk to the extent possible. It is not feasible for the District to hire additional employees at this time.