

**CUSTER COUNTY CONSERVATION  
DISTRICT NO. 88**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**JUNE 30, 2018**

**CUSTER COUNTY CONSERVATION  
DISTRICT NO. 88**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Custer County Conservation District No. 88  
Clinton, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying cash basis financial statements of the Custer County Conservation District No. 88 (a component unit of the Oklahoma Conservation Commission) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note A; this includes determining that the 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 cash basis 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 respective cash basis financial position of the Custer County Conservation District No. 88 as of June 30, 2018, and the respective changes in financial position and its cash flows for the year then ended, in conformity with the cash basis of accounting described in Note A.

### **Basis of Accounting**

We draw attention to Note A of the financial statements which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles of 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 November 14, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 in

considering the District's internal control over financial reporting and on compliance.

*McCulley + McCulley*

Weatherford, Oklahoma

November 14, 2018

**CUSTER COUNTY CONSERVATION DISTRICT NO. 88**  
**STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION**  
**CASH BASIS**  
**JUNE 30, 2018**

<b>ASSETS</b>		
Cash in Bank		\$ 35,301
Certificate of Deposit		<u>18,865</u>
<b>TOTAL ASSETS</b>		<b>\$ <u>54,166</u></b>
 <b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		\$ <u>          </u>
<b>NET POSITION</b>		
Restricted		
Unrestricted		<u>54,166</u>
<b>TOTAL NET POSITION</b>		<b><u>54,166</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>		<b>\$ <u>54,166</u></b>

The accompanying notes are an integral part of these statements.

**CUSTER COUNTY CONSERVATION DISTRICT NO. 88  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN NET POSITION - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**CASH RECEIPTS**

State Reimbursement	\$	93,939
State Cost Share Receipts		12,824
Equipment Rent Income		16,235
Seed Sales		77,195
Junior Easement Fees		20,000
NRCS Grant		8,000
Interest Income		193
Other Income		13
		13

**TOTAL CASH RECEIPTS**

228,399

**CASH DISBURSEMENTS**

Compensation and Benefits		57,492
Retirement and Health Insurance		10,013
Watershed Maintenance		32,969
State Cost Share		12,824
Utilities, including Telephone		2,023
Meeting Expenses		936
Transportation Expenses		1,985
Seed Purchases		49,198
Travel and Mileage		77
Classroom and Education		691
Licenses and Dues		1,235
Insurance		3,887
Office Expenses		1,655
Repair and Maintenance		6,642
Professional Fees		950
Equipment Rental - Cancellable Operating Lease		699
Purchase of Capital Assets		38,833
Capital Improvement Plan		
Other Cash Disbursements		106
		106

**TOTAL CASH DISBURSEMENTS**

222,215

**NET CASH RECEIPTS**

6,184

**NET POSITION**

Beginning of Year		47,982
		47,982
End of Year		\$ 54,166
		54,166

The accompanying notes are an integral part of these statements.

**CUSTER COUNTY CONSERVATION DISTRICT NO. 88  
STATEMENT OF CASH FLOWS - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from State Reimbursements	\$ 106,763
Cash Received in Rent	16,235
Cash Received from Seed Sales	77,195
Cash Received from NRCS Grant	8,000
Cash Received from Junior Easement Fees	20,000
Cash Received from Interest	193
Cash Received from Other Income	13
Cash Paid to Employees and Benefits	(67,505)
Cash Paid for Operations	<u>(154,710)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 6,184

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 6,184

**CASH AND CASH EQUIVALENTS**

Beginning of Year	<u>47,982</u>
End of Year	<u><u>\$ 54,166</u></u>

**RECONCILIATION OF NET CASH RECEIPTS TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Net Cash Receipts	<u>\$ 6,184</u>
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**NET CASH PROVIDED BY OPERATING ACTIVITIES** \$ 6,184

The accompanying notes are an integral part of these statements.



**CUSTER COUNTY CONSERVATION DISTRICT NO. 88**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2018**

**A. Summary of Significant Accounting Policies.**

The Custer County Conservation District No. 88, (the District), is a component unit of the Oklahoma Conservation Commission as established by the Oklahoma State Conservation District Act (Title 27A-3). The Conservation District Act defines the District as a governmental subdivision of the State of Oklahoma. The District was created to implement soil conservation measures in Custer and Washita County, State of Oklahoma, and is financed by user charges and the Oklahoma Conservation Commission.

**1. Basis of Accounting.**

The District's policy is to prepare its financial statements on the cash basis of accounting; consequently, revenues are recognized when received rather than when earned, and expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

**2. Cash in Bank and Certificate of Deposit.**

Cash in bank consists of the District's checking and savings accounts. Certificate of deposits are authorized investments for the District. The market value of the certificate of deposit approximates cost. All deposits are insured by the Federal Deposit Insurance Corporation.

For purposes of the statement of cash flows, the District considers all cash in bank and certificate of deposit to be cash equivalents.

**3. Net Position.**

Net position (formerly called net assets) is classified into three components:

A. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any liabilities attributable to these assets. Since the District uses the cash basis of accounting and does not capitalize its capital assets, it does not use this classification.

**CUSTER COUNTY CONSERVATION DISTRICT NO. 88**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2018**

**A. Summary of Significant Accounting Policies (continued).**

**3. Net Position (continued).**

B. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets have constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional revisions or enabling legislation.

C. Unrestricted - Net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The District uses restricted resources and then unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**B. Capital Assets.**

In accordance with the cash basis of accounting, the District's capital assets are recognized as an expense when cash is disbursed. Sales of capital assets are recognized as revenue when sold.

**C. Risk Management.**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to manage its risk of loss. Deductibles range from \$500 to \$1,000, depending upon the coverage. Surety Bonds are purchased for certain employees and Board of Directors. The Oklahoma Conservation Commission purchases workers compensation insurance for the District.

**CUSTER COUNTY CONSERVATION DISTRICT NO. 88**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2018**

**D. Employee Retirement System.**

The District participates in the state-administered Oklahoma Public Employees Retirement System (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. The actuarial valuation report as of July 1, 2017, does not give pension information down to the District level of participation. The required disclosure information is not presented since it is not available at the District level. Participation in the System is required for all regular employees who work at least 1000 hours per year and are not seasonal or temporary employees. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a Board of Trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

A participant with 80 age/service points if hired before July 1, 1992 or 90 age/service points if hired after July 1, 1992, may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five with 10 years of service. The normal retirement allowance equals two percent of the members final average compensation multiplied by the number of years of credited service. When a retired participant dies, the beneficiary is entitled to a death benefit.

The contribution rates for the Districts, which are not actuarially determined, and its employees are established by Oklahoma statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 16.5% of the applicable compensation for the year ended June 30, 2018. This contribution is actually paid by the Oklahoma Conservation Commission. These on behalf payments are not reflected in these cash basis financial statements. The retirement expense amount shown on the financial statements is the actual expense paid by the District for compensation actually paid from local funds. The District is allowed by the Oklahoma Public Employees Retirements System to make the required contributions on behalf of the participating members. Employees contribute 3.5% of earnings for the year ended June 30, 2018.

**CUSTER COUNTY CONSERVATION DISTRICT NO. 88  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2018**

**D. Employee Retirement System (continued).**

Ten year historical trend information is presented in the Oklahoma Public Employees' Retirement System Annual Report for the year ended June 30, 2017 (latest available). This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. A publicly available financial report and required supplementary information for the System can be obtained by writing to the Oklahoma Public Employees Retirement System, P. O. Box 53007, Oklahoma City, OK 73152-3007 or it can be obtained online at <http://www.opers.ok.gov/>.



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**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**

Board of Directors  
Custer County Conservation District No. 88  
Clinton, Oklahoma

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 accompanying cash basis financial statements of the Custer County Conservation District No. 88, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report dated November 14, 2018. The District reports on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 accompanying financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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, net 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. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of 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 the objective of our audit. 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.

### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying report "Statement of Findings and Responses". The 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**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing. It is not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McCulley & McCulley*  
Weatherford, Oklahoma

November 14, 2018

CUSTER COUNTY CONSERVATION DISTRICT NO. 88  
STATEMENT OF FINDINGS AND RESPONSES  
JUNE 30, 2018

1. Lack of Segregation of Duties.

**CONDITION AND EFFECT** - The District does not have adequate segregation of duties since it only has one office employee. Material errors or fraud could occur and not be found in a timely manner.

**RECOMMENDATION** - The District should segregate the duties to the extent possible should new employees be hired.

**RESPONSE** - The District has surety bond insurance to reduce any risk of loss. The District believes the cost of hiring additional employees is not economically feasible.

**CUSTER COUNTY CONSERVATION DISTRICT NO. 88**  
**UPDATE ON JUNE 30, 2015, AUDIT FINDING**  
**JUNE 30, 2018**

**1. Lack of Segregation of Duties.**

**CONDITION AND EFFECT** - The District does not have adequate segregation of duties since it only has one office employee. Material errors or fraud could occur and not be found in a timely manner.

**RECOMMENDATION** - The District should segregate the duties to the extent possible should new employees be hired.

**RESPONSE** - The District has surety bond insurance to reduce any risk of loss. The District believes the cost of hiring additional employees is not economically feasible.

**UPDATED COMMENT** - Situation is the same. Comment repeated.