



COAL COUNTY CONSERVATION DISTRICT

*ANNUAL FINANCIAL STATEMENTS AND
ACCOMPANYING INDEPENDENT
AUDITOR'S REPORTS*

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2018*

COAL COUNTY CONSERVATION DISTRICT
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For the fiscal year ended June 30, 2018

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SECRETARY/TREASURER – JOHNNIE BELLETTINI

MEMBER – JIM CARTER

MEMBER – MICHAEL NELSON



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Coal County Conservation District

Report on the Financial Statements

I have audited the accompanying modified cash basis financial statements and related notes to the financial statement of Coal County Conservation District (District), as of June 30, 2018, and for the year then ended 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 modified cash basis of accounting 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance 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 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 District'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 District's internal control. Accordingly, I express no such an 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

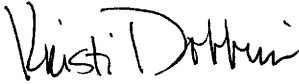
In my opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the District as of June 30, 2018 and the changes in modified cash basis financial position for the year then ended in accordance with the modified basis of accounting described in Note 1.

Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated September 27, 2018 on my consideration of the District's internal control over financial reporting and on my 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 my 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* in considering the District's internal control over financial reporting and compliance.



Pauls Valley, Oklahoma
September 27, 2018

**COAL COUNTY CONSERVATION DISTRICT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
June 30, 2018**

ASSETS

Cash	\$123,762
Investments	204,669
Other capital assets, net of depreciation	413,782
Total Assets	<u>742,213</u>

LIABILITIES

Payroll taxes payable	<u>458</u>
Total Liabilities	<u>458</u>

NET POSITION

Net investment in capital assets	413,782
Unrestricted	327,973
Total Net Position	<u>\$741,755</u>

See accompanying notes to the basic financial statements and Independent Auditor's Report.

**COAL COUNTY CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the fiscal year ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net(Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Primary Governmental Activities
Primary Government:				
Governmental activities:				
General Government	\$109,049	\$56,959		(\$52,090)
General revenues:				
Intergovernmental revenue restricted to specific programs				62,155
Rent income				27,802
Lease income				7,250
Investment income				1,318
Change in net position				46,435
Net position - beginning				695,320
Net position - ending				\$741,755

See accompanying notes to the basic financial statements and Independent Auditor's Report.

**COAL COUNTY CONSERVATION DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS - GENERAL FUND
June 30, 2018**

ASSETS

Current Assets:	
Cash	\$123,762
Investments	204,669
Total Assets	328,431

LIABILITIES

Liabilities:	
Payroll withholding liabilities	458
Total Liabilities	458

FUND BALANCE

Fund Balance	
Unassigned	327,973
Total Fund Balance	327,973

Reconciliation to Statement of Net Position:

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

Capital assets used in governmental activities of \$520,136 net of accumulated depreciation of \$106,353 are not financial resources and, therefore, are not reported in the funds.	413,782
	\$741,755

See accompanying notes to the basic financial statements and Independent Auditor's Report.

**COAL COUNTY CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - CASH BASIS
For the year ended June 30, 2018**

Revenues:

Reimbursements from Oklahoma Conservation Commission:	
Salaries and payroll taxes	\$44,791
Accounting	1,250
Administrative Cost Share	14,000
Office supplies	419
Telephone	484
Pickup expense	1,145
Operating and maintenance	66
Total Reimbursements from Oklahoma Conservation Commission	<u>62,155</u>
Lease income	7,250
Equipment rental	6,530
Rent income	27,802
Environmental Education income	400
Miscellaneous	50,029
Interest	1,318
Total Revenues	<u><u>155,484</u></u>

Expenditures:

Salaries and payroll taxes	52,489
Board and meeting expense	2,873
Automobile expenses	1,262
Cost share expense	16,000
Dues and education	2,824
Environmental education expenses	675
Insurance and bonds	5,138
Accounting	1,250
Repairs and maintenance	3,033
Retirement and insurance	1,079
Office expense	2,420
Telephone	418
Building utilities	3,677
Contract Labor	3,000
Total Expenditures	<u>96,138</u>

Excess (deficiency) of revenues over expenditures	59,346
Fund Balance - beginning of year	<u>268,627</u>
Fund Balance - end of year	<u><u>327,973</u></u>
Net change in fund balance	59,346
Amounts reported for governmental activities in the Statement of Activities are different b	
Depreciation expense	<u>(12,911)</u>
Change in Net Position of Governmental Activities	<u><u>46,435</u></u>

See accompanying notes to the basic financial statements and Independent Auditor's Report.

**COAL COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity
- B. Basis of Presentation
- C. Measurement Focus and Basis of Accounting
- D. Assets, Liabilities and Equity
- E. Revenues and Expenditures
- F. Use of Estimates
- G. Differences from GAAP

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Deposits and Investments Laws and Regulations

NOTE 3. DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

- A. Cash
- B. Capital Assets

NOTE 4. OTHER NOTES

- A. Employee Pension and Other Benefits
- B. Commitments and Contingencies

**COAL COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the use of a modified cash basis of accounting as discussed in Note 1.C., the District complies with accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

Coal County Conservation District was established pursuant to Title 82 of Oklahoma State Law. The purpose of the District is to provide for the conservation of the renewable natural resources of this state, and for the control and prevention of soil erosion, and for the prevention of floodwater and sediment damages, and for furthering the conservation, development, utilization and disposal of water and thereby to preserve and develop natural resources, control floods, conserve and develop water resources and water quality, prevent impairment of dams and reservoirs, preserve wildlife, preserve natural beauty, promote recreational development, protect the tax base, protect public lands and protect and promote the health, safety and general welfare of the people of this state.

The accompanying financial statements include all functions and activities over which the Conservation District exercises financial accountability. The District is considered a primary government as defined by the Governmental Accounting Standards Board (GASB) and has no other component units within its reporting entity.

1.B. BASIS OF PRESENTATION

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Coal County Conservation District has no business-type activities as of June 30, 2018.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The District presently has no proprietary funds. The District is considered a governmental entity as defined by the Governmental Accounting Standards Board (GASB). There is only one fund, which is the General Fund.

GOVERNMENTAL FUND TYPES

General Fund

The General Fund is the primary operating fund of the District. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “how” transactions are recorded within each fund type. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**COAL COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2018**

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities the governmental activities are presented using the economic resources measurement focus as defined in item a. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

If the District utilized the basis of accounting recognized as generally accepted, the governmental fund types would use the modified accrual basis of accounting.

Modified Accrual Basis - Revenues would be recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough hereafter to pay current liabilities.

Expenditures (including capital outlay) would be recognized when the related fund liability is incurred, except for general obligation bond principal and interest which would be reported when due.

1.D. ASSETS, LIABILITIES AND EQUITY

Cash

For the purpose of the balance sheet, “cash” includes all demand accounts held by the District.

Investments

Investments consist of certificates of deposit whose original maturity term exceeds three months and are carried at cost.

Accounts Receivable

As a result of the modified cash basis of accounting, accounts receivable and other revenue related receivables are not reported in the financial statements.

Capital Assets

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. The District has determined that all assets with a cost of more than \$1,000 will be capitalized. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

**COAL COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2018**

Fund Financial Statements

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Net Position and Fund Balance

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the spendable fund balance category are further classified as restricted, committed, assigned or unassigned, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts) but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

Assigned fund balance represents amounts that are intended to be used specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

1.E. REVENUE AND EXPENDITURES

Reimbursements

The District receives reimbursements from the Oklahoma Conservation Commission (OCC). The funds for operation of the OCC and the conservation districts are appropriated annually by the legislature for the Commission to allocate to each district on a reimbursable basis. The funding is broken down into the following program areas:

- Administration
- Watershed Planning and Archeology
- Field Services
- Small Watersheds Flood Control Fund
- Abandoned Mine Land (AML) Reclamation Program
- Water Quality Management

**COAL COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2018**

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the District's reimbursements are reported as program revenues. The District has the following program revenues in each activity:

General Government: Rental of equipment and property and water sales.

All other governmental revenues are reported as general.

Expenditures/Expenses

In the government-wide financial statements, expenses are reported on the modified cash basis and are classified by function or activity for governmental activities.

In the fund financial statements, expenditures are classified by category.

1.F. USE OF ESTIMATES

The preparation of financial statements in conformity with the other comprehensive 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); accordingly, actual results could differ from those estimates.

1.G. DIFFERENCES FROM GAAP

Basis of Accounting

As discussed in Note 1.C., the District reports both the government-wide financial statements and the fund financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with O.S. Title 62, Section 516.3, all uninsured deposits of municipal funds and other political subdivisions in financial institutions must be secured with acceptable collateral valued at the lower of market or par. The District's deposits were properly insured by FDIC Insurance carried by depository banks.

NOTE 3 - DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

3.A. CASH

Custodial Credit Risk

At June 30, 2017, the District held deposits of approximately \$328,430 at financial institutions. The District's cash deposits, including the interest-bearing certificates of deposit, are entirely covered by the Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

The District does not have a formal investment policy that limits the investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**COAL COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2018**

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bonds or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligation of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2018 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Certificates of deposit	12	N/A	\$204,669	\$204,669
Total Investments			<u>\$204,669</u>	<u>\$204,669</u>

3.B. CAPITAL ASSETS

Capital asset activity resulting from modified cash basis transactions for the fiscal year ended June 30, 2018 was as follows:

	Balance at July 1, 2017	Additions	Deductions	Balance at June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	198,640			198,640
Capital assets being depreciated:				
Buildings	202,263			202,263
Machinery and Equipment	119,233			119,233
Total capital assets at historical cost:	<u>520,136</u>			<u>520,136</u>
Less accumulated depreciation for:				
Buildings	31,654	5,276		36,930
Machinery and Equipment	61,787	7,637		69,424
Total accumulated depreciation:	<u>93,441</u>	<u>12,913</u>		<u>106,354</u>
Governmental activities capital assets, net	<u>\$426,695</u>	<u>12,913</u>		<u>413,782</u>

**COAL COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2018**

NOTE 4 - OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFITS

The District participates in one employee pension system as follows:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Public Employees Retirement Plan	Cost Sharing Multiple Employer - Defined Benefit Plan
<u>Oklahoma Public Employees' Pension and Retirement System</u>	

The Oklahoma Conservation Commission, as the employer, participates in one statewide cost-sharing multi-employer defined benefit plan on behalf of the employees working at least 1,000 hours per month. The system is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The following is a summary of eligibility factors, contribution methods, and benefit provisions.

Obtaining separately issued financial statements	Oklahoma Public Employees Retirement System 6601 N. Broadway, Suite 129 Oklahoma City, OK 73116
Eligibility to participate	All full-time permanent employees of a participating local government
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate (percent of covered payroll)	3.5%
Commission's Contribution rate (percent of covered payroll)	16.5%
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	7½ years, of which 6 must be fulltime service
Eligibility and benefits for distribution (full-time)	2% of the average highest 3 years' annual covered compensation received during the last 10 years of participating service multiplied by the number of years of credited service.
Deferred retirement option	No
Provisions for:	
Cost of living adjustments (normal retirement)	Yes
Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	No

Trend Information

Contributions required by State Statute and paid to the System for fiscal years 2016, 2017 and 2018 were \$8,914, \$9,748, and \$8,003 respectively. These contributions represent 100% of the required contribution in each fiscal year.

**COAL COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2018**

Related Party Investments

As of June 30, 2018, the System held no related-party investments of the District.

4.B. COMMITMENTS AND CONTINGENCIES

Commitments

The District's commitment for accrued compensated absences at June 30, 2018 was \$6,030.

Contingencies:

The District is not involved with any legal proceedings, which normally occur in the course of governmental operations at this time. Therefore, the financial statements do not include accruals or provisions for loss contingencies.

While legal proceedings cannot be foreseen, the District feels that any settlement or judgment not covered by insurance carried by the Commission would not have a material effect on the financial condition of the District.



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

September 27, 2018

Board of Directors
Coal County Conservation District

I 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 the Coal County Conservation District (the District) as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated September 27, 2018. My report on the financial statements disclosed, that as described in Note 1 to the financial statements, the District prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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 control 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.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the paragraph below, I identified a deficiency in internal control that I consider to be a material weakness.

Coal County Conservation District
September 27,2018

An adequate internal control structure does not exist because of the small size of the entity, nor is there adequate segregation of duties. A good internal control system would provide for separation of duties and responsibilities in financial matters between various employees. The individual writing checks would not be the same as the individual recording those checks and reconciling bank accounts. However, because of the very limited number of administrative employees and the small size of the District budget, it is generally not financially efficient to have enough employees for proper segregation of duties. The best protection is to maintain sufficient bond on those handling cash to cover losses should they occur. This condition has been discussed with management, and management has concluded that the cost to correct this condition would exceed the benefit.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The District's response to the finding identified above was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, I express no opinion on it.

Purpose of this Report

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



Kristi L. Dobbins, CPA