

**HUGHES COUNTY  
CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

# **HUGHES COUNTY CONSERVATION DISTRICT**

**JUNE 30, 2018**

## **TABLE OF CONTENTS**

	Page
LIST OF PRINCIPAL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-4
FINANCIAL STATEMENTS	
Statement of Assets, Liabilities and Net Position - Cash Basis	5
Statement of Cash Receipts, Disbursements and Changes in Net Position - Cash Basis	6
Notes to Financial Statements	7-9
INTERNAL CONTROL STRUCTURE	
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	10-12
Schedule of Findings	13

# **HUGHES COUNTY CONSERVATION DISTRICT**

## **Board of Directors**

<b><u>Name</u></b>	<b><u>Position</u></b>
Dale Jenkins	Chairman
Leon Barrett	Vice-Chairman
Steve Enos	Secretary-Treasurer
Clay Meeks	Member
Sam McClure	Member

## **Secretary**

Cindy Lee

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Hughes County Conservation District

### *Report on the Financial Statements*

We have audited the accompanying cash basis financial statements of Hughes County Conservation District, as of and for the fiscal year ended June 30, 2018, and the related notes to the 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 1. 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 the 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 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, we express no such opinion. An audit also includes evaluating the

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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.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of Hughes County Conservation District, as of June 30, 2018, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

## *Basis of Accounting*

We draw attention to Note 1 of the financial statements that 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 Matters*

### *Supplementary and Other Information*

The introductory section listed in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the District. Such additional information has not been subjected to the to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2018, on our consideration of Hughes 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

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effectiveness of Hughes County Conservation District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Hughes County Conservation District's internal control over financial reporting and compliance.

*Kershaw CPA & Associates, P.C.*  
Kershaw CPA & Associates, PC

October 26, 2018

**HUGHES COUNTY CONSERVATION DISTRICT**  
**STATEMENT OF ASSETS, LIABILITIES AND NET POSITION**  
**June 30, 2018**

**ASSETS**

**Current Assets:**

Cash and Cash Equivalents

44,131

**Total Assets**

44,131

**LIABILITIES**

**Current Liabilities:**

Withheld Payroll Taxes

120

**Total Liabilities**

120

**NET POSITION:**

Unrestricted

44,011

**Total Net Position**

44,011

See Accompanying Notes and Independent Accountant's Report

**HUGHES COUNTY CONSERVATION DISTRICT  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN NET POSITION - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**CASH RECEIPTS:**

Oklahoma Conservation Commission	121,622
Equipment Rental & Custom Work	24,004
Gain on Sale of Assets	26,291
Interest Income	6
<b>Total Cash Receipts</b>	<u>171,923</u>

**CASH DISBURSEMENTS:**

District Salaries & Related Costs	68,887
Dues, Subscriptions & Advertising	480
Professional Fees	1,460
Office Supplies	325
Fuel	1,411
Watershed Operation & Maintenance	45,914
Educational Activities	1,755
Insurance & Bonds	1,667
Equipment Rental	468
Meetings, Travel & Mileage	517
Utilities & Telephone	1,203
Equipment Repairs & Supplies	5,262
<b>Total Cash Disbursements</b>	<u>129,349</u>

Excess (Deficit) Cash Receipts Over Cash Disbursements	42,574
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Net Position - Beginning of the Year	1,437
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Net Position - End of the Year	<u>44,011</u>
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See Accompanying Notes and Independent Accountant's Report



**HUGHES COUNTY CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District's accounting policies applied in the preparation of the accompanying financial statements follow.

The cash basis of accounting is utilized which demonstrates compliance with the Oklahoma Conservation Commission requirement that complete and accurate records and receipts must be kept of the expenditures of District funds. The cash basis generally recognizes revenues when received rather than when earned and expenses when the obligation is paid rather than when incurred. Property, plant and equipment is charged to expense in the year of purchase and is not capitalized and depreciated.

The cash basis is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, which require the full accrual basis of accounting and capitalization and depreciation of all property, plant and equipment. Generally accepted accounting principles also require management's discussion and analysis of the operations. Adoption of a budget is not legally required and the budgetary information normally required by generally accepted accounting principles has not been presented.

**1.A. FINANCIAL REPORTING ENTITY**

The Hughes County Conservation District (the "District") is a local subdivision of state government charged with the conservation of renewable natural resources. The District receives funds from state appropriation to the Oklahoma Conservation Commission as well as interest from its checking and savings accounts. As a political subdivision of the State of Oklahoma, the District is exempt from income taxes, and its employees are exempt from federal unemployment taxes.

**1.B. FINANCIAL POSITION**

**CASH AND CASH EQUIVALENTS**

For the purpose of financial reporting "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. All accounts are fully insured by the Federal Deposit Insurance Corporation.

**NOTE 2. CONTINGENCIES**

**2.A. LITIGATION**

The District currently has no pending litigation.

**HUGHES COUNTY CONSERVATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**2.B. STATE CONSERVATION COST-SHARE PROGRAM**

The District is an intermediary for the State's Conservation Cost-Share Program. The District performed review, inspection and other services for applicants who received funds under the program.

**2.C. CONTINGENT LIABILITIES**

The District participates in a state assisted program. This program is audited in accordance with Government Auditing Standards in accordance with the required levels of State Financial Assistance. Audits of prior years have not resulted in any significant disallowed costs; however, grantor agencies may provide for further examinations. Based on prior experience, management believes that further examinations would not result in any significant disallowed costs.

**2.D. PENSION PLAN**

All full-time employees are covered by and must participate in the Oklahoma Public Employees Retirement Plan (OPERS). The District is not legally required to contribute to the OPERS, which is fully funded by the state and by contribution from covered employees. During the year ended June 30, 2018, the covered employees made contributions of \$890 to the OPERS. Under the pension plan, benefits vest after 6 years of full-time employment. An employee with 10 years of service may retire at age 55 and receive reduced retirement benefits.

Based on Oklahoma statute, employees covered by the pension plan contribute 3.5% of their monthly gross earnings to the pension fund. The state is required to contribute 16.5% of gross earnings to the plan.

The District's total current year payroll for all its employees amounted to \$35,203, of which \$30,050 was amount as the payroll covered by the plan.

**2.E. COMPENSATED ABSENCES**

The District's policy for accumulation annual leave is based on years of continuous service. Full-time employees with less than five years of service can accumulated up to 240 hours; employees with over five years of service can accumulate up to 480 hours. The accrual of compensated absences is not reflected in modified cash basis statements.

At June 30, 2018, the District had an unrecorded commitment for earned but unused vacation benefits that would require payment upon employee termination of service in the amount of \$1,617.

**HUGHES COUNTY CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3. OTHER NOTES**

**3.A. 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; and natural disasters. The District manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk Retained
a. Torts, errors and omissions	Coverage provided by Oklahoma Conservation Commission through Compsource	None
b. Injuries to employees (workers' compensation)	Coverage provided by Oklahoma Conservation Commission through Compsource	None
c. Physical property loss and natural disasters	Purchased commercial insurance package	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**3.B. ECONOMIC DEPENDENCY**

Approximately 70% of the organization's total support was provided through funds appropriated annually by the Oklahoma Conservation Commission which are dependent upon legislative approval.

**3.C. SUBSEQUENT EVENTS**

The District did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2018.

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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*

To the Board of Directors  
Hughes 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 cash basis financial statements of Hughes County Conservation District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, and have issued our report thereon dated October 26, 2018.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hughes 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 the Hughes County Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hughes 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 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

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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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings as Item 18-01 that we consider to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hughes County Conservation 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 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*.

### Hughes County Conservation District's Response to Findings

Hughes County Conservation District's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Hughes 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with

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*Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kershaw CPA & Associates, P.C.*

Kershaw CPA & Associates, PC

October 26, 2018

HUGHES COUNTY CONSERVATION DISTRICT  
SCHEDULE OF FINDINGS  
JUNE 30, 2018

INTERNAL CONTROL FINDINGS

Item 18-01: Segregation of Duties

Criteria - The segregation of duties is important to have adequate control over financial assets.

Condition - The District has the same employees performing work normally segregated between two or more employees, including receiving funds and posting those funds to the District's books.

Cause - The District's small size limits the amount of staffing needed to properly segregate the accounting functions.

Effect - The lack of segregation of duties could increase the risk that misstatements material to the financial statements could occur and not be detected within a timely manner.

Recommendation - The lack of segregation of duties is a common deficiency in District's the size of Hughes County Conservation District. The governing body should be aware of the increased risk and develop policies and procedures to reduce the effect of the internal control deficiency. The board should also review financial statements monthly.

Response - The Board continues to be actively involved in the operations of the District.