

**HARPER COUNTY CONSERVATION
DISTRICT**
Buffalo, Oklahoma

**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended June 30, 2024

**MICHAEL GREEN
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HARPER COUNTY CONSERVATION DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Harper County Conservation District

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying modified cash basis statement of assets, liabilities and net position of Harper County Conservation District (the District) as of and for the year ended June 30, 2024, and the statement of revenues, expenses and change in net position, the statement of cash flows and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the assets, liabilities and net position of the District, as of June 30, 2024, and the changes in revenues, expenses, and net position, and the statement of cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Emphasis of Matter—Basis of Accounting

I draw attention to Note 1 of the financial statements, which 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 opinions are not modified with respect to this matter.

Responsibilities of Management 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 and for 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 Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:


- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 12, 2024, 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 solely 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 effectiveness of the 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 the District's internal control over financial reporting and compliance.

Regards,



Michael Green, CPA
Stilwell, Oklahoma
November 12, 2024

HARPER COUNTY CONSERVATION DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION -
MODIFIED CASH BASIS
JUNE 30, 2024

Assets

Current assets

Checking and Savings Accounts	\$ 264,006
Certificates of Deposit	241,712
Total Current Assets	<u>505,718</u>

Property and Equipment

Building and Fixtures	298,872
Machinery and Equipment	197,488
Work in Process	1,500
Accumulated Depreciation	<u>(461,772)</u>
Total Property and Equipment	<u>36,088</u>

Total Assets	<u><u>\$ 541,806</u></u>
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Liabilities and Net Postion

Total Liabilities	\$ -
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Net Position:

Net Investment in Capital Assets	36,088
Unrestricted	<u>505,718</u>

Total Net Position	<u><u>\$ 541,806</u></u>
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The accompany notes and auditor's reports are an integral part of these financial statements.

**HARPER COUNTY CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2024**

Operating Revenues:

OCC reimbursements	\$ 78,133
Cost share received	78,902
Product sales	5,208
Equipment rental	14,260
Seed Sales	53,013
Building Rent	36,795
Plat Book and Map Sales	210
Unpaved Road Program	75,200
Other Income	481
Total Revenues	<u>342,202</u>

Operating Expenses:

Payroll	49,211
Payroll taxes and employee benefits	10,982
Seed Costs	43,771
Product Costs	2,020
Office Supplies and Postage	3,233
Insurance	9,693
Fuel	400
Equipment Maintenance and Supplies	2,493
Cost Share Paid	114,768
Plat Books and Maps Cost	819
Meetings, Mileage, and Travel	270
Dues, Memberships, and Advertising	1,101
Professional Fees	800
Telephone Expenses	2,034
Building Maintenance and Supplies	1,600
Utilities	8,243
Janitor	6,000
Depreciation	9,786
Director Fees	2,625
Conservation Education	2,143
Scholarships	500
Other Expenses	1,654
Total Operating Expenses	<u>274,146</u>

Operating Income (loss) 68,056

Non-operating revenues (expenses):

Interest Income	10,375
Total Nonoperating Revenue (Expenses)	<u>10,375</u>

Change in Net Position 78,431

Net Position at Beginning of Year 433,693

Prior Period Adjustment 29,682

Net Position at Beginning of Year (Restated) 463,375

Net Position at End of Year \$ 541,806

The accompany notes and auditor's reports are an integral part of these financial statements.

HARPER COUNTY CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2024

Cash Flows From Operating Activities:

Cash Received From Customers	\$ 185,167
Other Operating Cash Receipts	157,035
Cash Payments to Suppliers For Goods and Services	(219,468)
Cash Payments to Employees	(44,892)
Net Cash Provided (Used) by Operating Activities	<u>77,842</u>

Cash Flows From Investing Activities:

(Increase) Decrease in CDs	(7,407)
Interest on Cash and CDs	10,375
Net Cash Provided (Used) by Investing Activities	<u>2,968</u>

Net Increase (Decrease) in Cash and Cash Equivalents	80,810
Beginning Cash and Cash Equivalents, restated	183,196
Ending Cash and Cash Equivalents	<u><u>\$ 264,006</u></u>

Reconciliation of Income (Loss) From Operations to

Net Cash Provided (Used) by Operating Activities:

Income (Loss) From Operations	\$ 68,056
Depreciation	9,786
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 77,842</u></u>

CASH FLOW STATEMENT BALANCE INCLUDES:

Checking and Savings Accounts	<u>\$ 264,006</u>
Total	<u>\$ 264,006</u>

The accompany notes and auditor's reports are an integral part of these financial statements.

HARPER COUNTY CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Harper County Conservation District (the District) was created under Title 27A, Sections 3-1-101 through 3-3-410, as amended, of the Oklahoma State Statutes. The purpose of the District is to provide for the conservation of renewable natural resources in an area for which the District is responsible.

Basis of Accounting

The District prepares its financial statements using the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with provisions for depreciation in the financial statements. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the District's 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) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Cash and Cash Equivalents

For the purpose of the financial statements, "cash and cash equivalents" includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less and money market accounts.

Capital Assets

Capital assets are accounted for as property and equipment and are depreciated.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets of the District are cash accounts limited to a specific purpose. At June 30, 2024, there were no cash accounts with restrictions.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net investments in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

Net position is displayed in three components:

- *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation and reduced by any debt related to the acquisition, construction, or improvements of those assets.
- *Restricted net position* – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – All remaining net position that does not meet the definition of "restricted".

It is the District's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Operating Revenue and Expenses

Operating revenues and expenses result from providing services and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Prior Period Adjustment

Prior period adjustment of \$29,682 is related to differences found in non-audited years.

NOTE 2: CASH AND DEPOSITS

Custodial Credit Risk – Custodial credit risk related to deposits exist when the District hold deposits that are uninsured and uncollateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District’s name or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District’s name. The District’s policy for custodial credit risk is to secure its uninsured deposits with collateral. As of June 30, 2024, the District’s bank balances of \$505,523 were not all covered by FDIC insurance. The remaining uncovered balance in Oklahoma State Bank was \$13,512.

Investment Credit Risk - The District has no investment policy that limits investments choices other than the limitation of state law. As of June 30, 2024, the District did not hold investments other than certificates of deposits which were insured by FDIC insurance.

NOTE 3: INVESTMENTS

The State of Oklahoma allows government entities to invest in the following: direct obligations of the United States Government, its agencies or instrumentalities, collateralized or insured certificates of deposit, insured savings accounts or savings certificates, or county, municipal or school district direct debt.

NOTE 4: PROPERTY AND EQUIPMENT

Depreciable Assets are recorded at cost when purchased or constructed. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are expensed. Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. Total depreciation for the year ended June 30, 2024, was \$9,786 following is a summary of category of changes in property and equipment:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets not being depreciated:				
Work in Progress	\$ 1,500	\$ -	\$ -	\$ 1,500
	1,500	-	-	1,500
Other fixed assets:				
Buildings & Fixtures	298,872	-	-	298,872
Equipment & Vehicles	197,488	-	-	197,488
	497,860	-	-	496,360
Less accumulated depreciation:	(451,986)	(9,786)	-	(461,772)
	<u>\$ 47,374</u>	<u>\$ (9,786)</u>	<u>\$ -</u>	<u>\$ 36,088</u>

NOTE 5: OCC REIMBURSEMENTS:

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, the reimbursements are recognized as revenues.

NOTE 6: RETIREMENT PLAN

Oklahoma public employees who work 1,599 hours or more per year are enrolled in the Oklahoma Public Employees Retirement System. On salaries paid from reimbursable funds from the Oklahoma Conservation Commission, the employers 16.5% share of retirement was paid directly by the Commission. The employees' share of the retirement contribution was 3.5% of locally earned wages and 3.5% of state reimbursable wages.

NOTE 7: ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The OCC and the District manage this risk through the purchase of commercial insurance policies. Claims are recognized when it is probable that a loss has occurred, and the amount of loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported are considered.

NOTE 9: CONTINGENCIES:

The District is a party to various legal proceedings that normally occur in the course of operations. As of June 30, 2024, the District did not have any pending litigation or potential non-disclosed liabilities that management believe would have a material effect on the financial statements.

NOTE 10: SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 12, 2024, which is the date the financial statements were available to be issued.

MICHAEL W. GREEN
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS 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
Harper 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 modified cash basis statement of assets and net position of Harper County Conservation District (the District) as of and for the year ended June 30, 2024, and the statement of revenues, expenses and change in net position, statement of cash flows and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated November 12, 2024. The report included an emphasis-of-matter paragraph related to the District's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions 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 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.

My 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. I identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses (2024-001) that I consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. 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*.

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.

Regards,

A handwritten signature in black ink, appearing to read 'Mike Green', with a stylized, cursive script.

Michael Green, CPA
Stilwell, Oklahoma
November 12, 2024

Harper County Conservation District
Schedule of Findings & Responses
June 30, 2024

2024-001 Internal Controls over Financial Reporting

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, record keeping 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.

Condition: Presently a limited number of individuals have responsibility for all functions of financial statement reporting. These individuals have oversight responsibilities for billing and adjustments, posting of payments to subsidiary ledgers and reconciling the monthly bank statements. In addition, only limited oversight is provided over these individuals in the conduct of their daily functions.

Cause and Effect: The 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. Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the income and other billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: Management and the board should consider a formal evaluation of their risks associated with this lack of duties segregation over assets. In response to the identified risks, consideration should be given to identifying and implementing compensating duties to act as controls that could help mitigate the risks associated with lack of segregation of duties, such as management performing review procedures for the reconciliation of accounts.

Responsible Official's Response: The board has concluded that due to the limited number of personnel, an adequate segregation of duties is not achievable and that the cost of correcting the weakness would exceed the benefits that would be derived from it.