

ADAIR COUNTY CONSERVATION DISTRICT
STILWELL, OKLAHOMA

AUDITED FINANCIAL STATEMENTS
For the year ended June 30, 2021

Audited By:
Robert St. Pierre, C.P.A., P.C.
Certified Public Accountant
1113 N. Second Street
Stilwell, OK 74960

ADAIR COUNTY SOIL CONSERVATION DISTRICT
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ROBERT ST. PIERRE C.P.A., P.C.

Certified Public Accountant

1113 N. Second St.
Stilwell, Oklahoma 74960
Phone: (918) 696-4983
Fax: (918) 696-4867

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Adair County Conservation District
Stilwell, OK 74960

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Adair County Conservation District ("the District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Managements Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Adair County Conservation District, as of June 30, 2021, and the respective changes in financial position - modified cash basis financial position, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describe the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United State 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 issued a report dated **October 15, 2021**, on our consideration of Adair County Conservation Districts, internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Adair County Conservation District's internal control over financial reporting and compliance.

Very truly yours,

Robert St. Pierre

Robert St. Pierre, C.P.A., P.C.
Stilwell, OK 74960
October 15, 2021

**ADAIR COUNTY CONSERVATION DISTRICT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash, including time deposits	\$ 82,740
Certificates of Deposit	65,857
Total current assets	<u>148,597</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation (Note 3)	35,534
Total noncurrent assets	<u>35,534</u>
Total Assets	<u><u>\$ 184,131</u></u>
Liabilities	
Current liabilities	
Payroll Taxes Payable	\$ 2,082
Total Liabilities	<u>2,082</u>
Net Position	
Invested in capital assets, net of related debt	35,534
Unrestricted	146,515
Total Net Position	<u><u>\$ 182,049</u></u>

**ADAIR COUNTY CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

Function / Program Activity	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets Governmental Activities
		Charges For Services	Operating Grant and Contributions	Capital Grants and Contributions	
Government Activities:					
Conservation Program	273,710	1,590	333,604	-	61,484
Total Governmental Activities	<u>273,710</u>	<u>1,590</u>	<u>333,604</u>	<u>-</u>	<u>61,484</u>

Interest Income	48
Rental Income	1,706
Total General Revenues	<u>1,754</u>
Change in Net Position	63,238
	-
Net Position Beg of Year	\$ 118,811
Net Position End of Year	<u>\$ 182,049</u>

**ADAIR COUNTY CONSERVATION DISTRICT
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Governmental Fund Types	
	General Fund	
	<hr/>	
Assets		
Cash	\$	82,740
Certificates of Deposit		65,857
Total Assets	\$	148,597
		<hr/> <hr/>
Liabilities and Fund Balances		
Liabilities		
Payroll Tax Payable	\$	2,082
Total Liabilities		<hr/> 2,082
Fund Balances		
General Fund Unreserved		146,515
Total Fund Balances		<hr/> 146,515
Total Liabilities and Fund Balance	\$	148,597
		<hr/> <hr/>

**ADAIR COUNTY CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF ASSETS,
LIABILITIES, AND FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2021**

Fund Balances -- Total Governmental Funds	<u>\$ 146,515</u>
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds

Equipment	89,392
Vehicles	36,181
Accumulated Depreciation	(90,039)
	<u>35,534</u>

Net Assets of Governmental Activities	<u><u>\$ 182,049</u></u>
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**ADAIR COUNTY CONSERVATION DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Governmental Fund Types
	General Funds
REVENUES	
Reimbursements from OK Conservation Commission	\$ 256,685
Brushhogging and Spriging	1,590
Equipment Rentals	1,706
RC&D Dues Refund	32,000
Water Quality Stipend	1,200
Rehab Contracting	12,352
Sale of Truck Income	10,110
Miscellaneous Income	458
Watershed Projects	2,000
NRCS/USDA Grant	18,800
Interest Income	48
	48
TOTAL REVENUES	336,949
EXPENDITURES	
Salaries	103,490
Payroll Taxes	8,393
Employee Benefits	5,578
Board of Directors	990
Telephone	623
Insurance	2,152
Watershed Maintenance	134,322
Travel	2,548
Repairs and Maintenance	3,081
Rent Expense	559
Office Expense	2,474
Bank Charges	71
Legal and Professional	1,696
TOTAL EXPENDITURES	265,977
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	70,972
FUND BALANCE BEGINNING OF PERIOD	120,893
FUND BALANCE END OF THE PERIOD	\$ 191,865

**ADAIR COUNTY CONSERVATION DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT
OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Governmental Funds	\$	70,972
<p>Amounts Reported for Governmental Activities in the Statement of Activities are different because:</p>		
Capital Purchases decrease Fund Balances but do not affect the Statement of Activities		(36,181)
Depreciation does not affect Funds Balances but does affect the Statement of Activities		(7,733)
Gross Proceeds on Sale of Assets		10,110
Gain over Adjusted Basis Increases Net Assets but not Fund Balances		26,071
Other Adjustments		(1)
		(1)
	\$	63,238

**ADAIR COUNTY CONSERVATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Adair 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 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 the 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 developmental protect the tax base, protect public lands and protect and promote the health, safety and general welfare of the people of this state.

The District operates as a field office for the Oklahoma Conservation Agency. Its primary source of operating support is derived from governmental reimbursements. Its purpose is to assist landowners in conservation efforts and to educate the public on the importance of the conservation of natural resources.

B. Government-Wide Financial Statements

The statement of net position and the statement of activities include information about the District as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities are generally 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 District has no business type activities as of June 30, 2021.

C. Fund Financial Statements

The District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of government and enterprise fund financial statements is on major funds. If applicable, each major fund is presented in a separate column. The District is considered a governmental entity as defined by the Governmental Accounting Standards Boards (GASB). There is only one fund: the general fund.

D. Government 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 the other funds.

E. Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

On the Government-Wide Statement of Net Position and the Statement of Activities, the governmental activities are presented using the economic resources measurement focus.

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.

F. Basis of Accounting

The District presents its general fund and non-major fund financial statements on the modified cash basis of accounting. The modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). 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.

The District's general fund includes general government activities, and conservation activities, and capital outlay.

The financial statements have been prepared in accordance with relevant Governmental Accounting Standards Board (GASB) pronouncements.

G. Capital Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the Government-Wide or fund financial statements.

Government- Wide Statements - In the Government-Wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. The District's policy is to capitalize all assets over \$500 and depreciate them on the Government-Wide Statements.

Depreciation of all exhaustible fixed 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. The range of estimated useful lives by type of asset is as follows:

Machinery, furniture, and equipment	5 -10 years
Vehicles	5 years

Fund Financial Statements - In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the Government-Wide Statements.

H. Assets, Liabilities and Net Assets or Equity

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

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

Fair Value of Financial Instruments - The District's financial instruments include cash and cash equivalents, and certain liabilities. The District's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial statements approximates fair value because of the short maturity of these instruments.

Estimates - The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences - It is the District's policy to permit employees to accumulate earned but unused vacation time. Full-time employees who have been employed continuously for at least one year are granted vacation benefits in varying amounts to specified maximums depending on the tenure with the District. The District has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

Long-Term Obligations - The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net of current assets) is considered a measure of "available spendable resources."

I. Assets, Liabilities and Net Assets or Equity

Governmental fund operating statement present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets - consists of net assets with 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 provisions or enabling legislation.
- c) Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Note 2 — Cash and Investments

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Cash and certificates of deposit held by the District are fully covered.

Custodial Credit Risk - All of the District's deposits at financial institutions were covered by either FDIC insurance or collateralized.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the District's investment portfolio to maturities of not more than two years.

Note 3 — Property and Equipment

Capital Asset Activity - Governmental Type

Capital asset activity for governmental type activities for the year ended June 30, 2021, was as follows:

	6/30/2020	Additions	Disposals	6/30/2021
Equipment	118,867	36,181	29,475	125,573
Total Property Plant and Equipment	118,867	36,181	29,475	125,573
Accumulated Depreciation	(101,944)	(9,837)	21,742	(90,039)
Net Book Value	16,923	26,344	51,217	35,534

The District's fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life. Expenditures for major renewals and betterments which extend the useful life of the fixed assets are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

Note 4 – Subsequent Events

Management has evaluated and disclosed subsequent events up to the date of this report.

Note 5 – Pension Plan

The District participates in the Oklahoma Public Employees Retirement System. All eligible employees contribute 3.5% of gross wages to the plan. The Oklahoma Conservation Commission contributes 14.5% of the gross wages on reimbursable wages for all eligible participants.

Note 6 – Uncertainties

During March 2020, the World Health Organization declared a pandemic with the outbreak of the COVID-19 and declared a "Public Health Emergency of International Concern". The U.S. Government and local governmental authorities implemented procedures to attempt to contain the virus and lessen its impact. The spread of this virus has caused business interruptions that are expected to continue for the foreseeable future. The extent of the impact of COVID-19 on the District's operational and financial performance has not yet been determined. As such, these financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**ADAIR COUNTY CONSERVATION DISTRICT
SCHEDULE OF FEDERAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2021**

Grantor / Pass- Through Grantor/ Program Title	CFDA Number	Contract Period	Contract Expenditures
Department of Agriculture			
Soil Conservation and Domestic Allotment Act	10.902	10/1/2020 6/30/2021	8,000
Total Federal Assistance			<u>\$ 8,000</u>

This schedule is prepared on the modified cash basis of accounting.

ROBERT ST. PIERRE, C.P.A., P.C.

Certified Public Accountant

1113 N. Second Street
Stilwell, Oklahoma 74960
Phone: (918) 696-4983
Fax: (918) 696-4867

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
Adair County Conservation District
Stilwell, 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 modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Adair County Soil Conservation District ("the District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 15, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies. (2021-1)

Compliance and Other Matters

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

Adair County Soil Conservation District's Response to Findings

Adair County Soil Conservation District's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Adair County Soil Conservation District's responses were 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 Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

Robert St. Pierre

Robert St. Pierre C.P.A., P.C.
Stilwell, OK 74960
October 15, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2021-1 INTERNAL CONTROL OVER SEGREGATION OF DUTIES

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

Condition: Presently, only one individual has responsibility for all functions of the financial statement reporting. That individual has oversight responsibilities for billing and adjustments and posting of payments payment to subsidiary accounts receivable ledgers. In addition, only limited oversight is provided over this individual in the conduct of their daily functions. This condition was also reported in 2018.

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

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the membership 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: In order to compensate for the small number of employees, the Board remains very involved in the transactions of the District. All expenditures, grants, and deposits are reviewed and/or approved each month and listed in the board minutes.