

DEER CREEK CONSERVATION  
DISTRICT NO. 68

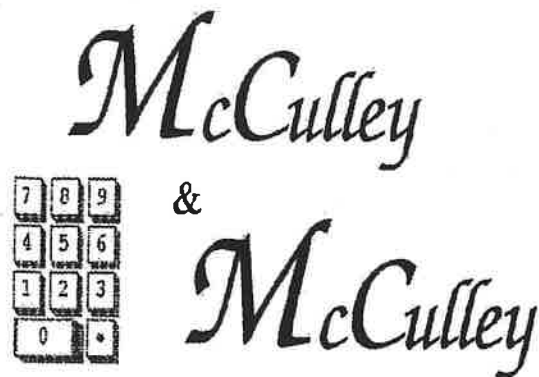
FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT

JUNE 30, 2021

**DEER CREEK CONSERVATION  
DISTRICT NO. 68**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Deer Creek Conservation District No. 68  
Weatherford, Oklahoma

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the Deer Creek Conservation District No. 68 (a component unit of the Oklahoma Conservation Commission) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; 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 an opinion on these modified cash basis financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the Deer Creek Conservation District No. 68 as of June 30, 2021, and the respective changes in financial position and its cash flows for the year then ended, in conformity with the modified cash basis of accounting described in Note A.

### **Basis of Accounting**

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

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

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in

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

*McCulley & McCulley*

Weatherford, Oklahoma

November 22, 2021

**DEER CREEK CONSERVATION DISTRICT NO. 68**  
**STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION**  
**MODIFIED CASH BASIS**  
**JUNE 30, 2021**

**ASSETS**

**CURRENT ASSETS**

Petty Cash	\$ 141
Cash in Bank	36,080
Certificate of Deposit	69,005
Total Current Assets	<u>105,226</u>

**NON-CURRENT ASSETS**

Capital Assets	
Land	39,273
Building and Improvements	74,794
Equipment	105,442
Total Capital Assets, Cost	<u>219,509</u>
Less Accumulated Depreciation	<u>(158,775)</u>
Net Capital Assets	<u>60,734</u>

<b>TOTAL ASSETS</b>	<b>\$ <u>165,960</u></b>
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**LIABILITIES AND NET POSITION**

<b>LIABILITIES</b>	<b>\$ _____</b>
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**NET POSITION**

Net Investment in Capital Assets	60,734
Unrestricted	105,226
Total Net Position	<u>165,960</u>

<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ <u>165,960</u></b>
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The accompanying notes are an integral part of these statements.

**DEER CREEK CONSERVATION DISTRICT NO. 68**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**OPERATING REVENUES**

State Reimbursement	\$ 50,588
Equipment Rent Income	18,783
Storage Rent Income	9,460
Grass Seed Sales	4,748
Vegetable Seed Sales	1,852
Other Income	1,914
<b>TOTAL OPERATING REVENUES</b>	<u>87,345</u>

**OPERATING EXPENSES**

Gross Salaries and Wages	23,483
Retirement	2,333
Payroll Taxes	2,061
Grass and Vegetable Seed Purchases	3,798
Depreciation	6,381
Telephone	457
Utilities	3,415
Meeting Expenses	310
State Funded Cost Share	26,847
Information and Education Supplies	2,348
Advertising	423
Dues	1,250
Insurance	3,243
Postage and Supplies	2,042
Repair and Maintenance	1,254
Sales Taxes	44
Miscellaneous Expenses	358
Professional Fees	2,114
<b>TOTAL OPERATING EXPENSES</b>	<u>82,161</u>

<b>NET OPERATING REVENUE (EXPENSE)</b>	<u>5,184</u>
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**NON-OPERATING REVENUE (EXPENSE)**

Interest Income	924
<b>TOTAL NON-OPERATING REVENUE (EXPENSE)</b>	<u>924</u>

<b>CHANGE IN NET POSITION</b>	6,108
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**NET POSITION**

Beginning of Year	<u>159,852</u>
End of Year	<u><u>\$ 165,960</u></u>

The accompanying notes are an integral part of these statements.

**DEER CREEK CONSERVATION DISTRICT NO. 68**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from State Reimbursements	\$ 50,588
Cash Received in Rent	28,243
Cash Received from Seed Sales	6,600
Cash Received from Other Income	1,914
Cash Paid to Employees and Benefits	(27,877)
Cash Paid for Operations	(47,903)

<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	11,565
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received on Cash and Certificates of Deposits	924
Purchases of Capital Assets	(419)
Interest Added to Certificates of Deposit	(530)

<b>NET CASH (USED FOR) INVESTING ACTIVITIES</b>	(25)
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<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	11,540
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**CASH AND CASH EQUIVALENTS**

Beginning of Year	24,681
End of Year	\$ 36,221

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

Net Operating Revenue	\$ 5,184
Depreciation	6,381

<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 11,565
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The accompanying notes are an integral part of these statements.



**DEER CREEK CONSERVATION DISTRICT NO. 68**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

The Deer Creek Conservation District No. 68, (the District), is a component unit of the Oklahoma Conservation Commission as established by the Oklahoma State Conservation District Act (Title 27A-3). The Conservation District Act defines the District as a governmental subdivision of the State of Oklahoma. The District was created to implement soil conservation measures in Custer and Washita County, State of Oklahoma, and is financed by user charges and the Oklahoma Conservation Commission.

**1. Basis of Accounting.**

The District's policy is to prepare its financial statements on the modified cash basis of accounting; consequently, revenues are recognized when received rather than when earned, and expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. The District has elected to capitalize and depreciate its capital assets. This method of accounting is a generally accepted modification of the cash basis of accounting.

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

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

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

**3. Capital Assets.**

The District's capital assets are recognized as an asset when cash is disbursed. These capital assets are recorded at historical cost. Depreciation expense has been computed using straight-line method over the estimated useful lives of the related assets. A summary of capital assets and service lives by type of asset follows:

Buildings and Improvements	10 - 40 years
Equipment	5 - 10 years

**DEER CREEK CONSERVATION DISTRICT NO. 68**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

**4. Net Position.**

Net position is classified into three components:

A. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any liabilities attributable to these assets.

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

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

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

**B. Risk Management.**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to manage its risk of loss. The District does not have insurance coverage on the equipment it owns. Deductibles range from \$250 to \$1,000, depending upon the coverage. Surety Bonds are purchased for certain employees and Board of Directors. The Oklahoma Conservation Commission purchases workers compensation insurance for the District.

**DEER CREEK CONSERVATION DISTRICT NO. 68**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**C. Capital Assets.**

Capital assets consist of the following:

	June 30, 2020	Additions	Deletions	June 30, 2021
Land **	\$ 39,273	\$	\$	\$ 39,273
Equipment	105,023	419		105,442
Building & Improve.	74,794			74,794
 Total Capital Assets	 219,090	 419		 219,509
 Less Accumulated Depreciation for:				
Equipment	89,375	3,017		92,392
Building & Improve.	63,019	3,364		66,383
 Total Accumulated Depreciation	 152,394	 6,381		 158,775
 Net Capital Assets	 \$ 66,696	 \$ ( 5,962)	 \$ -0-	 \$ 60,734

\*\* non-depreciable asset

**D. Employee Retirement System.**

The District participates in the state-administered Oklahoma Public Employees Retirement System (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation in the System is required for all regular employees who work at least 1000 hours per year and are not seasonal or temporary employees. A participant's date of membership is the date the first contribution is made to the System. The actuarial valuation report as of July 1, 2020 does not give pension information down to the District level of participation. The required disclosure information is not presented since it is not available at the District level. The System is administered by a Board of Trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

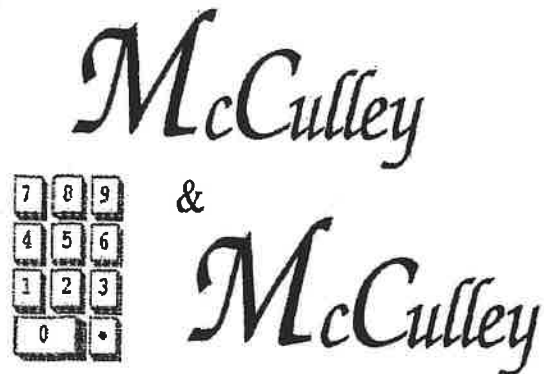
**DEER CREEK CONSERVATION DISTRICT NO. 68**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

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

The contribution rates for the Districts, which are not actuarially determined, and its employees are established by Oklahoma statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 16.5% of the applicable compensation for the year ended June 30, 2021. This contribution is actually paid by the Oklahoma Conservation Commission. These on behalf payments are not reflected in these modified cash basis financial statements. The retirement expense amount shown on the financial statements is the actual expense paid by the District for compensation actually paid from local funds. The District is allowed by the Oklahoma Public Employees Retirement System to make the required contributions on behalf of the participating members. Employees contribute 3.5% of earnings for the year ended June 30, 2021.

Ten year historical trend information is presented in the Oklahoma Public Employees' Retirement System Annual Report for the year ended June 30, 2020 (latest available). This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. A publicly available financial report and required supplementary information for the System can be obtained by writing to the Oklahoma Public Employees Retirement System, P. O. Box 53007, Oklahoma City, OK 73152-3007 or it can be obtained online at <http://www.opers.ok.gov/>.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Deer Creek Conservation District No. 68  
Weatherford, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the Deer Creek Conservation District No. 68, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report dated November 22, 2021. The District reports on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the accompanying financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of

deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, 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. Therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item #1, that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit. Accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

The District's response to the findings identified in our audit is described in the accompanying report "Statement of Findings and Responses". The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

### **Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing. It is not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the

entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McCulley & McCulley*

Weatherford, Oklahoma

November 22, 2021

**DEER CREEK CONSERVATION DISTRICT NO. 68**  
**STATEMENT OF FINDINGS AND RESPONSES**  
**JUNE 30, 2021**

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

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

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

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

**2. Review of Bank Reconciliations and Other Accounting Records.**

**CONDITION AND EFFECT** - The District did perform bank reconciliations of its checking accounts but did not do bank reconciliations for its certificate of deposits. However, it did not review the reconciling items on the bank reconciliations performed to determine the legitimacy of the reconciling item(s). The effect of not reviewing these reconciling items resulted in items being double posted in the accounting records and items posted to the wrong bank account. The effect of not reconciling the certificate of deposits resulted in inaccurate balances being reported in the accounting records. We also noted the District had deleted several accounting entries made in the prior fiscal year resulting in changes in the bank account balances for the end of the previous year in its accounting records.

**RECOMMENDATION** - The District should review its bank reconciliations to determine the legitimacy of the reconciling items. If an error in posting was made, then corrections can be made at that time. Certificate of deposit (CD) accounts should also have reconciliations done whenever bank account information is obtained. For those with interest added to the CD monthly, then interest should be posted and reconciled monthly. Unless an entry is posted and corrected in the same month, we do not recommend the District use the accounting system to delete an accounting entry that has already been posted and reported to the Board of Directors. Instead, use the general journal system to post a correction and then when it is time to reconcile the bank accounts, then both the entry being corrected and the general journal entry should be shown as cleared. The correction should also be reported to the Board of Directors.

**RESPONSE** - The District will implement these recommendations.



DEER CREEK CONSERVATION DISTRICT NO. 68  
UPDATE ON JUNE 30, 2018, AUDIT FINDING  
JUNE 30, 2021

1. Lack of Segregation of Duties.

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

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

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

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