

DEER CREEK CONSERVATION
DISTRICT NO. 68

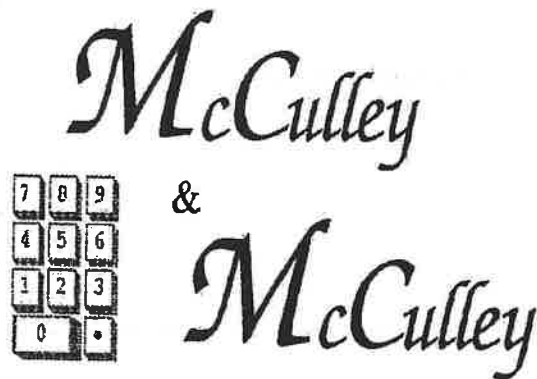
FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

JUNE 30, 2024

**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 Audit of the Financial Statements

Opinion

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, 2024, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

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, 2024, 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 for Opinion

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

Emphasis of Matter - 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.

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 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.

In preparing the financial statements, management is required to evaluate whether 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our 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 audit report that includes our opinion. 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 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 judgement 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, we:

1. Exercise professional judgment and maintain professional skepticism throughout the audit.

2. 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.

3. 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.

4. 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.

5. Conclude whether, in our judgement, 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.

We are 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 we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 13, 2025, 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

April 13, 2025

DEER CREEK CONSERVATION DISTRICT NO. 68
STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2024

ASSETS

CURRENT ASSETS

Petty Cash	\$ 141
Cash in Bank	32,144
Certificate of Deposit	70,434
Total Current Assets	<u>102,719</u>

NON-CURRENT ASSETS

Capital Assets	
Land	39,273
Building and Improvements	74,794
Equipment	100,306
Total Capital Assets, Cost	<u>214,373</u>
Less Accumulated Depreciation	<u>(155,506)</u>
Net Capital Assets	<u>58,867</u>

TOTAL ASSETS	\$ <u>161,586</u>
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LIABILITIES AND NET POSITION

LIABILITIES	\$ _____
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NET POSITION

Net Investment in Capital Assets	58,867
Unrestricted	102,719
Total Net Position	<u>161,586</u>

TOTAL LIABILITIES AND NET POSITION	\$ <u>161,586</u>
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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, 2024

OPERATING REVENUES

State Reimbursement	\$ 92,784
Equipment Rent Income	13,726
Storage Rent Income	12,902
Grass Seed Sales	4,944
Vegetable Seed Sales	2,707
OACD Meeting Reimbursement	74,113
Other Income	1,976
TOTAL OPERATING REVENUES	<u>203,152</u>

OPERATING EXPENSES

Gross Salaries and Wages	38,763
Retirement	1,811
Payroll Taxes	3,472
Grass and Vegetable Seed Purchases	7,885
Depreciation	5,590
Telephone	614
Utilities	4,400
Meeting Expenses	81,903
State Funded Cost Share	44,640
Information and Education Supplies	3,866
Advertising	693
Insurance	4,000
Postage and Supplies	1,750
Repair and Maintenance	3,081
Sales Taxes	517
Miscellaneous Expenses	100
Professional Fees	1,300
TOTAL OPERATING EXPENSES	<u>204,385</u>

NET OPERATING REVENUE (EXPENSE)	<u>(1,233)</u>
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NON-OPERATING REVENUE (EXPENSE)

Net Gain on Sale of Assets	4,465
Interest Income	2,501
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>6,966</u>

CHANGE IN NET POSITION	5,733
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NET POSITION

Beginning of Year	<u>155,853</u>
End of Year	<u>\$ 161,586</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, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from State Reimbursements	\$ 92,784
Cash Received in Rent	26,628
Cash Received from OACD Meeting Reimbursement	74,113
Cash Received from Seed Sales	7,651
Cash Received from Other Income	1,976
Cash Paid to Employees and Benefits	(44,046)
Cash Paid for Operations	(154,749)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,357</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received on Cash and Certificates of Deposits	2,501
Sales of Capital Assets	4,465
Purchases of Capital Assets	(13,583)
Interest Added to Certificates of Deposit	(1,055)
NET CASH (USED FOR) INVESTING ACTIVITIES	<u>(7,672)</u>

NET (DECREASE) IN CASH AND CASH EQUIVALENTS (3,315)

CASH AND CASH EQUIVALENTS

Beginning of Year	<u>35,600</u>
End of Year	<u><u>\$ 32,285</u></u>

**RECONCILIATION OF NET OPERATING (EXPENSE) TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Net Operating (Expense)	\$ (1,233)
Depreciation	<u>5,590</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 4,357

Note: Fully depreciated assets totaling \$21,250 was sold for a gain of \$4,465.

The accompanying notes are an integral part of these statements.

DEER CREEK CONSERVATION DISTRICT NO. 68
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024

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, 2024

C. Capital Assets.

Capital assets consist of the following:

	June 30, 2023	Additions	Deletions	June 30, 2024
Land **	\$ 39,273	\$	\$	\$ 39,273
Equipment	107,973	13,583	(21,250)	100,306
Building & Improve.	74,794			74,794
 Total Capital Assets	 222,040	 13,583	 (21,250)	 214,373
 Less Accumulated Depreciation for:				
Equipment	98,053	3,909	(21,250)	80,712
Building & Improve.	73,113	1,681		74,497
 Total Accumulated Depreciation	 171,166	 5,590	 (21,250)	 155,506
 Net Capital Assets	 \$ 50,874	 \$ 7,993	 \$ -0-	 \$ 58,867

** 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. The actuarial valuation report as of July 1, 2024 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. 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 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.

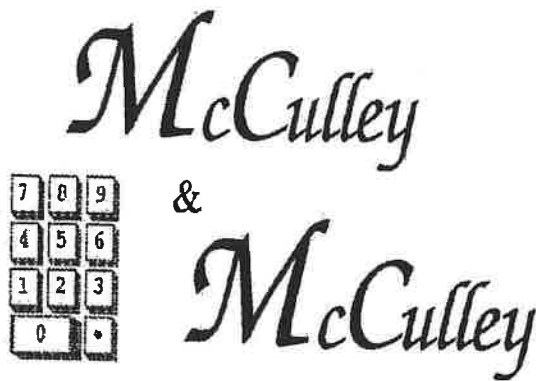
DEER CREEK CONSERVATION DISTRICT NO. 68
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024. 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, 2024.

Ten year historical trend information is presented in the Oklahoma Public Employees' Retirement System Annual Report for the year ended June 30, 2024 (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, 2024, and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report dated April 13, 2025. 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.

Report on 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 and #2, that we 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 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

April 13, 2025

DEER CREEK CONSERVATION DISTRICT NO. 68
STATEMENT OF FINDINGS AND RESPONSES
JUNE 30, 2024

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, 2021, AUDIT FINDING
JUNE 30, 2024

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.

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.

DEER CREEK CONSERVATION DISTRICT NO. 68
UPDATE ON JUNE 30, 2021, AUDIT FINDING
JUNE 30, 2024

2. Review of Bank Reconciliations and Other Accounting Records
(continued).

RESPONSE - The District will implement these recommendations.

UPDATED COMMENT - Situation is the same. Comment repeated.