

PONTOTOC COUNTY CONSERVATION DISTRICT
ANNUAL FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

PONTOTOC COUNTY CONSERVATION DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020

	Page
INTRODUCTORY SECTION:	
Table of Contents	i
List of Principal Officials	1
 FINANCIAL SECTION:	
Independent Auditor's Report	2-3
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 <i>Government Auditing Standards</i>	4-6
Financial Statements:	
Statement of Assets, Liabilities and Net Position – Cash Basis	7
Statement of Revenues and Expenses and Changes in Net Position – Cash Basis	8
Notes to Financial Statements	9-11

PONTOTOC COUNTY CONSERVATION DISTRICT
BOARD OF DIRECTORS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

CHAIRMAN – LONNIE MANUEL

VICE-CHAIRMAN – BENNIE COPE

SECRETARY/TREASURER – TOM PEAY

MEMBER – BILL CLARK

MEMBER – GENE OVERTURF

Kimberlye R. Mayer, CPA, P.C.

723 West Doolin

Blackwell, OK 74631

(580) 363-1453

Fax (580) 363-0068

Independent Auditor's Report

Board of Directors
Pontotoc County Conservation District

Report on Financial Statements

We have audited the accompanying statements of assets, liabilities and net position – cash basis of Pontotoc County Conservation District as of June 30, 2020 and the related statement of revenues and expenses, and changes in net position – cash basis for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such an 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

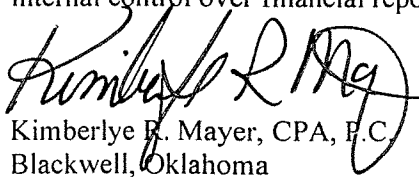
In our opinion, the financial statements referred to above, present fairly, in all material respects, the assets, liabilities and net position – cash basis of Pontotoc County Conservation District as of June 30, 2020 and the changes in net position – cash basis for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 17, 2020 on our consideration of Pontotoc County Conservation District's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grants 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 the 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 Pontotoc County Conservation District's internal control over financial reporting and compliance.

 CPA, PC
Kimberlye R. Mayer, CPA, P.C.
Blackwell, Oklahoma
September 17, 2020

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
Pontotoc County Conservation District

We have audited the financial statements of Pontotoc County Conservation District as of and for the year ended June 30, 2020, and have issued our report thereon dated September 17, 2020. 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. The financial statements were prepared on the cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control that there is reasonable possibility that a material misstatement of the District'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 preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pontotoc County Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with

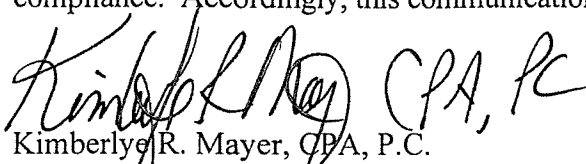
certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

Pontotoc County Conservation District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Pontotoc County Conservation District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.


Kimberlee R. Mayer, CPA, P.C.
Blackwell, Oklahoma
September 17, 2020

PONTOTOC COUNTY CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020

Material Weakness Communicated in a Prior Year:

Material Weakness in Internal Control Over Financial Reporting: Inadequate Segregation of Duties:

Criteria:

The segregation of duties and responsibilities between different individuals and the 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, the same individual is responsible for service, rental and sales invoices and receiving payments; making and recording deposits; maintaining accounts receivable; and reconciling the monthly bank statements. Only limited oversight is provided over this individual in the conduct of their daily functions.

Cause:

The entity's limited size has made it difficult for management to fully segregate the duties.

Effect or Potential Effect:

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

Recommendation:

The board should evaluate the risks associated with the lack of segregation of duties and consider implementing controls that could mitigate these risks.

Board'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.

PONTOTOC COUNTY CONSERVATION DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION -
CASH BASIS
June 30, 2020

ASSETS

Current Assets:

Cash	\$49,090
Investments	30,881
Total Assets	<u>79,971</u>

Net Position

Net Position:

Unrestricted	79,971
Total Net Position	<u>\$79,971</u>

The accompanying report and notes are an integral part of these financial statements.

PONTOTOC COUNTY CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION - CASH BASIS
For the year ended June 30, 2020

Operating Revenues:

OCC Reimbursements	\$75,165
Cost Share Received	17,874
Total Revenues	<u>93,039</u>

Operating Expenses:

Salaries and payroll taxes	59,525
Payroll taxes	4,991
Employee benefits	4,766
Cost share expense	17,874
Clearing Upper Clear Boggy	25,400
Repairs and maintenance	7,635
Dues, licenses and fees	840
Meetings and conventions	1,333
Professional expense	2,661
Materials & Supplies	1,382
Office expense	870
Outdoor classroom expense	62
Miscellaneous	698
Total Expenditures	<u>128,037</u>

Operating Income (Loss)	(34,998)
-------------------------	----------

Nonoperating Revenues (Expenses):

NACD Grant	73,200
Interest Income	406

Net position - beginning of year	41,363
----------------------------------	--------

Net position - end of year	<u>79,971</u>
----------------------------	---------------

The accompanying report and notes are an integral part of these financial statements.

PONTOTOC COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the use of the cash basis of accounting as discussed in Note 1.B., the District complies with accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1.A. FINANCIAL REPORTING ENTITY

Pontotoc 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 the 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 to 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 development, protect the tax base, protect public lands and protect and promote the health, safety and general welfare of the people of this state.

The Oklahoma Conservation Commission provides oversight and management to the Oklahoma Conservation Districts pursuant to Title 27-A of the Oklahoma State Statutes.

The accompanying financial statements include all functions and activities over which the Conservation District exercises financial accountability. The District is considered a primary government as defined by the Governmental Accounting Standards Board (GASB) and has no other component units within its reporting entity.

1.B. BASIS OF ACCOUNTING

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

1.C. ASSETS AND LIABILITIES

Cash

For the purpose of the balance sheet, "cash" includes all demand accounts held by the District.

Investments

For the purpose of the balance sheet, "investments" include certificates of deposit with maturities longer than 3 months. At June 30, 2020, the District had one certificate of deposit considered an investment.

Accounts Receivable

As a result of the cash basis of accounting, accounts receivable and other revenue related receivables are not reported in the financial statements.

Capital Assets

The District has a Slide In 225 Spray Unit that it purchased in 2009 at a cost of \$3,650. Due to the cash basis of accounting being utilized, the cost of the property and equipment is not reported as assets in the financial statement.

If the Oklahoma Conservation Commission (OCC) gives the District funds to purchase an asset, even a portion of the funds, the OCC records the purchase as an asset on their books.

PONTOTOC COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2020

I.D. REVENUE AND EXPENDITURES

Reimbursements

The District receives reimbursements from the Oklahoma Conservation Commission (OCC). The funds for operation of the OCC and the conservation districts are appropriated annually by the legislature for the Commission to allocate to each district on a reimbursable basis. The funding is broken down into the following program areas:

- * Administration
- * Watershed Planning and Archeology
- * Field Services
- * Abandoned Mine Land (AML) Reclamation Program
- * Water Quality Management
- * Small Watersheds Flood Control Fund

Other revenues the District receives are listed separately on the financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2.A. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with O.S. Title 62, Section 516.3, all uninsured deposits of municipal funds and other political subdivisions in financial institutions must be secured with acceptable collateral valued at the lower of market or par. The District's deposits were properly insured by FDIC Insurance carried by depository banks.

NOTE 4 - OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFITS

The District participates in one employee pension system as follows:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Public Employees Retirement Plan	Cost Sharing Multiple Employer - Defined Benefit Plan
<u>Oklahoma Public Employees' Pension and Retirement System</u>	

The Oklahoma Conservation Commission, as the employer, participates in one statewide cost-sharing multi-employer defined benefit plan on behalf of the employees working at least 1,000 hours per month. The system is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The following is a summary of eligibility factors, contribution methods, and benefit provisions.

Obtaining separately issued financial statements	Oklahoma Public Employees Retirement System 6601 N. Broadway, Suite 129 Oklahoma City, OK 73116
Eligibility to participate	All full-time permanent employees of a participating local government
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate (percent of covered payroll)	3.5%
Commission's Contribution rate (percent of covered payroll)	16.5%
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	7 ½ years, of which 6 must be fulltime service

PONTOTOC COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2020

Eligibility and benefits for distribution (full-time)	2% of the average highest 3 years' annual covered compensation received during the last 10 years of participating service multiplied by the number of years of credited service.
Deferred retirement option	No
Provisions for:	
Cost of living adjustments (normal retirement)	Yes
Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	No

Trend Information

Contributions required by State Statute and paid to the System for fiscal years 2018, 2019 and 2020 were \$0.00, \$3,254, and \$9,822, respectively. These contributions represent 100% of the required contribution in each fiscal year.

Related Party Investments

As of June 30, 2020, the System held no related-party investments of the District.

4.B. COMMITMENTS AND RISK MANAGEMENT

Commitments

Because of the District's use of the cash basis of accounting, accrued amounts related to compensated absences (annual leave) earned but unpaid at year-end are not reflected in the financial statement. The compensated absence commitment at June 30, 2020, including employer related costs, is \$3,299.

Risk Management:

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The OCC purchases commercial insurance for these and other risks of loss. Settled claims have not exceeded the coverage in past years.

4.C. EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through September 17, 2020, the date which the financial statements were available to be issued.