

HARMON COUNTY CONSERVATION DISTRICT
ANNUAL FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

HARMON COUNTY CONSERVATION DISTRICT
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YEAR ENDED JUNE 30, 2021

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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
Harmon County Conservation District

Report on Financial Statements

We have audited the accompanying statement of net position of Harmon County Conservation District as of June 30, 2021 and the related statements of revenues and expenses, and changes in net position and of cash flows 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 accounting principles generally accepted in the United States of America. 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 net position of Harmon County Conservation District as of June 30, 2021; the changes in net position and of cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

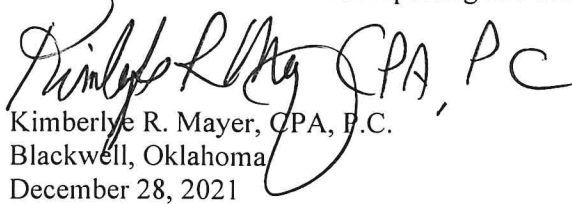
Other Matters

Required Supplementary Information

Harmon County Conservation District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basis financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basis financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2021 on our consideration of Harmon 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 Harmon County Conservation District's internal control over financial reporting and compliance.



Kimberly R. Mayer, CPA, P.C.
Blackwell, Oklahoma
December 28, 2021

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
Harmon County Conservation District

We have audited the financial statements of Harmon County Conservation District as of and for the year ended June 30, 2021, and have issued our report thereon dated December 28, 2021. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harmon 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 Harmon County Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Harmon 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 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. However, as described in the accompanying schedule of findings and questioned costs, #2021-1, 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 Harmon 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*.

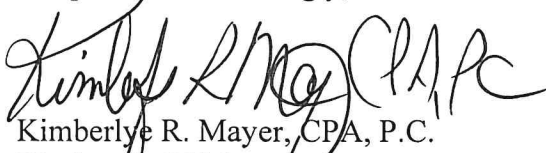
We noted other matters that we reported to the management of Harmon County Conservation District in a separate letter dated December 28, 2021

Harmon County Conservation District's Response to Findings

Harmon County Conservation District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses #2021-1. Harmon 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.

A handwritten signature in black ink, appearing to read "Kimberley R. Mayer, CPA, P.C.", is written over the typed name and title.

Kimberley R. Mayer, CPA, P.C.

Blackwell, Oklahoma

December 28, 2021

HARMON COUNTY CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021

2021-1:

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.

FINANCIAL STATEMENTS

AND

NOTES

HARMON COUNTY CONSERVATION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

Current Assets:

Cash and cash equivalents	\$ 181,917
Certificate of deposits	70,549
Accounts receivable (Note 4)	9,634
Inventory	5,428
Total Current Assets	<u>267,528</u>

Property and equipment (Note 5)
(net of accumulated depreciation)

15,941

Total Assets

\$ 283,469

LIABILITIES AND NET POSITION

Liabilities:

\$

Current Liabilities:

Accounts payable	2,602
Payroll taxes due	1,425
Prepaid lease	
Total Liabilities	<u>4,027</u>

Net Position:

Net investment in capital assets	15,941
Unrestricted	263,501
Total Net Position	<u>279,442</u>

Total Liabilities and Net Position

\$ 283,469

HARMON COUNTY CONSERVATION DISTRICT
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

Operating Revenues:	
OCC reimbursements	\$ 73,262
Cost share received	45,666
Equipment rental	8,221
Seed sales	32,587
Tire tank sales and installation	38,113
Custom hire	3,267
Hunting lease	1,000
Grant income	4,000
Watershed O&M	2,800
Other income	1,515
Total Operating Revenues	<u>210,431</u>
Expenses:	
Personnel costs	71,238
Office supplies and postage	2,334
Repairs, maintenance and supplies	6,770
Conservation education and sponsorship	15
Mileage, meetings and travel	222
Director fees	1,200
Fuel	2,300
Product costs	49,058
Professional fees	629
Insurance and bond	3,355
Dues, advertising and promotion	1,036
Utilities and telephone	2,246
Depreciation	4,688
Cost share paid	45,666
Watershed maintenance	2,779
Other expense	12
Total Operating Expenses	<u>193,548</u>
Income (Loss) From Operations	16,883
Nonoperating Revenue (Expense):	
Interest income	688
Gain on sale of equipment	
Total Nonoperating Revenue	<u>688</u>
Revenues Over (Under) expenses	17,571
Net Position, beginning of year	261,871
Net Position, end of year	<u><u>\$ 279,442</u></u>

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

HARMON COUNTY CONSERVATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

Cash flows From Operating Activities:	
Cash received from customers	\$ 84,525
Other operating cash receipts	132,909
Cash payments to suppliers for goods and services	(124,936)
Cash payments to employees	(60,823)
Net Cash Provided (Used) By Operating Activities	<u>31,675</u>
Cash Flows From Capital and Financing Activities:	
Acquisition and construction of capital assets	
Gain on sale of equipment	
Net Cash Provided (Used) by Financing Activities	<u> </u>
Cash Flows From Investing Activities:	
Interest income	688
(Increase) decrease in investments	(580)
Net Cash Provided (Used) by Investing Activities	<u>108</u>
Net increase (decrease) in cash and cash equivalents	31,783
Beginning cash and cash equivalents	<u>150,134</u>
Ending cash and cash equivalents	<u><u>\$ 181,917</u></u>
Reconciliation of income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 16,883
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	4,688
Changes in assets and liabilities:	
(Increase) decrease in receivables	7,003
(Increase) decrease in inventory	522
Increase (decrease) in payables	2,579
Net cash provided (used) by operating activities	<u><u>\$ 31,675</u></u>

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

HARMON COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

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

Basis of Accounting

The District maintains its records and prepares its financial statements on the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Accrued vacation is not recorded because the OCC reimburses the District for the expense when the vacation is taken, therefore any liability would be offset by a receivable. The amount of accrued vacation at June 30, 2021 was \$8,811.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net investments in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net positions are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Inventory

Inventory is stated at cost.

NOTE 2 - CASH AND CASH EQUIVALENTS:

The District considers all checking and savings accounts and deposits with a maturity of three months or less to be cash equivalents.

NOTE 3 – OCC REIMBURSEMENTS:

The District is reimbursed by the Oklahoma Conservation Commission for salaries, payroll taxes, mileage, telephone charges, office supplies and certain other office expenses up to their allocated amount. Such reimbursements are recognized as revenue when received.

HARMON COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 4 - ACCOUNTS RECEIVABLE:

At June 30, 2021, the District had amounts due from customers of \$3,342 and from the Oklahoma Conservation Commission of \$6,292. Management believes all amounts are collectible, so no provision has been made for uncollectible accounts.

NOTE 5 - PROPERTY AND EQUIPMENT:

Total depreciation for the year ended June 30, 2021 was \$4,688. The following is a schedule of property and equipment and the related accumulated depreciation at June 30, 2021:

	6/30/20	Additions	(Deletions)	6/30/21
Buildings	\$ 12,758	\$	\$	\$ 12,758
Equipment	91,818			91,818
Vehicles	27,298			27,298
	131,874			131,874
Less accumulated depreciation	(111,245)	(4,688)		(115,933)
Net	<u>\$ 20,629</u>	<u>\$ (4,688)</u>	<u>\$</u>	<u>15,941</u>

NOTE 6 - RETIREMENT PLAN:

Oklahoma public employees who work 1,599 hours or more per year were enrolled in the Oklahoma Public Employees Retirement System. On salaries paid from reimbursable funds from the Oklahoma Conservation Commission, the employer's 16 1/2% share of retirement was paid directly by the Commission. The employees' share of the retirement contribution was 3 1/2% of locally earned wages and 3 1/2% of state reimbursable wages.

NOTE 7 - DEPOSITS, INVESTMENTS, AND COLLATERAL:

The State of Oklahoma allows government entities to invest in the following: direct obligations of the United States government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; or county, municipal or school district bonds. At June 30, 2021, all of the District's deposits were covered by the Federal Depository Insurance Corporation.

NOTE 8 - ESTIMATES:

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

HARMON COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 9 – RISK MANAGEMENT:

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

NOTE 10 – CONTINGENCIES:

As of June 30, 2021, the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

NOTE 11 – FAIR VALUES OF FINANCIAL INSTRUMENTS:

The definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spread and credit risk).

Level 3: Significant unobservable inputs (including the District's own assumptions in determining the fair value of investments).

The District's financial instruments include cash and cash equivalents, receivables, inventory and payables. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

NOTE 12 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through December 28, 2021 the date which the financial statements were available to be issued.