

Ottawa County Conservation District
Miami, Oklahoma

Independent Auditor's Report
and Financial Statements

June 30, 2023

Ottawa County Conservation District
Miami, Oklahoma
June 30, 2023

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Board of Directors
Ottawa County Conservation District
Miami, Oklahoma

Opinions

We have audited the accompanying modified cash basis financial statements of the business-type activities of the Ottawa County Conservation District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Ottawa County Conservation District's basic 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 business-type activities of the Ottawa County Conservation District, as of June 30, 2023, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note I.

Basis for Opinions

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 Ottawa County Conservation 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 opinions.

Emphasis of Matter—Basis of Accounting

We draw attention to Note I 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 basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are 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 I, and for 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 Ottawa County Conservation 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 Responsibilities 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 auditor's report that includes our opinions. 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 will always detect a 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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.
- 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 Ottawa County Conservation District's internal control. Accordingly, no such opinion is expressed.
- 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ottawa County Conservation 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 September 27, 2023, on our consideration of the Ottawa County Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Ottawa County Conservation District's 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 Ottawa County Conservation District's internal control over financial reporting and compliance.

Other Matters

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis and budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in cursive script that reads "Hood & Associates, CPAs, P.C." The signature is written in black ink on a light-colored background.

Hood & Associates CPAs, P.C.
Certified Public Accountants
Tulsa, Oklahoma

September 27, 2023



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

To the board of directors
Ottawa County Conservation District
Miami, 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 financial statements of the business-type activities of Ottawa County Conservation District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Ottawa County Conservation District's basic financial statements and have issued our report thereon dated September 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ottawa County Conservation District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ottawa County Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ottawa 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-02 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Ottawa County Conservation District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Ottawa County Conservation District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Ottawa County Conservation District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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



Hood & Associates CPAs, P.C.
Certified Public Accountants
Tulsa, Oklahoma

September 27, 2023

Ottawa County Conservation District
Statement of Net Position - Modified Cash Basis
June 30, 2023

Assets

Current Assets:

Cash and cash equivalents	\$ 29,677
Certificates of deposit	<u>158,443</u>
<i>Total Current Assets</i>	188,120

Non-Current Assets

Restricted Certificates of Deposit	63,347
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Capital Assets:

Property, Plant & Equipment (net of accumulated depreciation)	<u>1,745</u>
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Total Assets	<u>\$ 253,212</u>
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Net Position

Net Position:

Invested in fixed assets, net of related debt	1,745
Restricted	63,347
Unrestricted	<u>188,120</u>
Total Net Position	<u>235,212</u>

<i>Net Position</i>	<u>\$ 253,212</u>
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The accompanying notes are an integral part of the financial statements.

Ottawa County Conservation District
Statement of Revenues, Expenses and Changes in Net Position - Modified Cash Basis
For the year ended June 30, 2023

CHANGES IN UNRESTRICTED NET POSITION:

Operating Revenues:

State Cost Share	\$ 311,093
Reimbursements OCC	62,158
OACD Care Project	10,547
OACD Empowering Program	7,071
Other Income	3,080
Platt Books	<u>70</u>
Total Operating Revenues	<u>394,018</u>

Operating Expenses

Cost Share	304,693
Salaries	57,556
Payroll Taxes/Retirement/Insurance	11,699
Meeting Expenses	3,701
Insurance	3,104
Mileage	2,160
Education Supplies	1,200
Travel	957
Professional Fees	840
Depreciation Expense	745
Information Services	660
Dues/Subscriptions	651
Equipment	559
Printing and Binding	383
Postage	381
Mowing Expense	275
Unemployment Tax	239
Exhibits, Shows, and Events	200
Interest Expense	112
Director Election Expense	107
Bond	100
Check Order	76
Office Supplies	57
Safe Deposit	<u>15</u>
Total Operating Expenses	<u>390,470</u>

Operating Net Income 3,548

Non-Operating Revenues

Interest Income 5,133

Changes in Net Position 8,681

Net Position - Beginning of the Year 244,531

Net Position - End of the Year \$ 253,212

The accompanying notes are an integral part of the financial statements.

Ottawa County Conservation District
Statement of Cash Flows - Modified Cash Basis
For the year ended June 30, 2023

<i>Cash Flows from Operating Activities</i>	
Cash Received from Operations	\$ 394,018
Cash Payments for Operating Expenses	<u>(389,725)</u>
Net Cash Provided (Used) by Operating Activities	4,293
 <i>Cash Flows from Non-Capital Financing Activities</i>	
	-
 <i>Cash Flows from Capital and Related Financing Activities</i>	
	-
 <i>Cash Flows from Investing Activities</i>	
Interest Income Received	<u>5,133</u>
 <i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	
	9,426
Cash and Cash Equivalents – Beginning	<u>242,041</u>
Cash and Cash Equivalents – Ending	<u>\$ 251,467</u>
 <u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
 <i>Operating Net Income</i>	 \$ 3,548
 Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation/Amortization	<u>745</u>
 Net Cash Provided by Operating Activities	 <u>\$ 4,293</u>

The accompanying notes are an integral part of the financial statements.

Ottawa County Conservation District
Notes to Financial Statements
June 30, 2023

I. Summary of Significant Accounting Policies

The ***Ottawa County Conservation District*** is a political subdivision organized under the laws of the State of Oklahoma, Oklahoma Conservation Commission for the benefit of the citizens of Ottawa County, Oklahoma.

As discussed further in Note 1, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurements and recognition criteria of the modified cash basis of accounting.

A. Financial Reporting Entity

The District complies with GASB Statement No. 14, "*The Financial Reporting Entity*." This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate Districts for which the elected officials of the primary government are financially accountable and other Districts for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District considered all potential component units in determining what Districts should be included in the financial statements. Based on these criteria, there are no component units to include in the District's financial statements.

B. Basis of Presentation

The District's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Ottawa County Conservation District
Notes to Financial Statements
June 30, 2023

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

The proprietary funds utilize an “*economic resources*” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in Net Position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as Net Position.

All proprietary funds utilize the modified cash basis of accounting. Under the modified cash basis of accounting, revenues are recognized when received and expenses are recorded when paid.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s enterprise fund is reimbursement of expenses for district operation. Operating expenses for enterprise funds include administrative expenses, maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgetary Comparison

There is no budgetary comparison schedule present in the financial statements.

E. Assets and Net Position

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Fair Value of Financial Instruments

The District’s financial statements include cash and investments. The District’s estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Capital Assets

The fixed assets are recorded at cost. Donated capital assets are reported at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All reported capital assets are depreciated on the straight-line basis over the estimated useful lives ranging from five to fifty years.

Ottawa County Conservation District
Notes to Financial Statements
June 30, 2023

I. Summary of Significant Accounting Policies (continued)

E. Assets and Net Position (continued)

Income Taxes

There has been no provision made for income taxes in the financial statements.

Equity Classifications

Equity is classified as Net Position and displayed in three components:

- a. *Invested in capital assets, net of related debt* --- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. *Restricted Net Position* --- Consists of Net Position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted Net Position* --- All other Net Position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting allows 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. Actual results could differ from those estimates.

II. Detailed Notes Concerning the Funds

Inventory

The amount of inventory the district maintains is immaterial, therefore, it is not represented as an asset in the financial statements.

Deposits and Investments

State statutes govern the District’s investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The District invests entirely in certificates of deposit.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Organization’s deposits may not be returned to it. The District’s cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The District does not have a deposit policy for custodial credit risk. As of June 30, 2023, none of the District’s investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

Ottawa County Conservation District
Notes to Financial Statements
June 30, 2023

II. Detailed Notes Concerning the Funds (continued)

Changes in Property, Plant and Equipment

The changes in property and equipment for the year ended June 30, 2023 were as follows:

	Balance at <u>7/1/22</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>6/30/23</u>
Land	\$ 4,000	\$	\$	\$ 4,000
Warehouse	25,051			25,051
Improvements	1,165			1,165
Office furniture	<u>6,171</u>			<u>6,171</u>
	36,387	<u>\$ 0</u>	<u>\$ 0</u>	36,387
Accumulated Deprec.	<u>(33,897)</u>	<u>\$ 745</u>	<u>\$ 0</u>	<u>(34,642)</u>
Net Property, Plant & Equipment	<u>\$ 2,490</u>			<u>\$ 1,745</u>

II. Subsequent Events

Management has evaluated subsequent events through September 27, 2023, which is the date the financial statements were available to be issued. No significant subsequent events were identified that require adjustment to or disclosure in the financial statements.

Ottawa County Conservation District
Schedule of Audit Findings
Prior Year
June 30, 2023

PRIOR YEAR

2022-1: Segregation of Duties

Currently, individual responsible for receiving payments of the District is the same individuals who post the accounting records, deposit money, pay invoices.

For the fiscal year ending June 30, 2022, lack of segregation of duties is a concern. Efficient and effective separation of duties is difficult to obtain without hiring additional personnel. However, the governing body and management need to be aware of the continued risk associated with this lack of segregation of duties, and attempt to exercise maximum oversight control over possible areas of risk, such as cash receipts and cash payments.

2022-2: SAS 115

Criteria – A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We believe that the following deficiencies constitute material weaknesses:

We, as auditors, were required to prepare the District financial statements because the District does not have adequate resources or resources with the knowledge required to prepare the District’s financial statements in accordance with the modified cash basis of accounting. Additionally, we, as auditors, were required to make year-end adjustments including: modified cash adjusting entries during the current year because the District doesn’t have adequate resources or resources with the knowledge required to propose and book the District’s financial transactions that are not recurring in nature. These entries are necessary, however, to be in accordance with the modified cash basis of accounting.

Ottawa County Conservation District
Schedule of Audit Findings
Current Year
June 30, 2023

CURRENT YEAR

2023-1: Segregation of Duties

Currently, individual responsible for receiving payments of the District and of the District are the same individuals who post the accounting records, deposit money, pay invoices, and reconcile bank accounts.

For the fiscal year ending June 30, 2023, lack of segregation of duties is a concern. Efficient and effective separation of duties is difficult to obtain without hiring additional personnel. However, the governing body and management need to be aware of the continued risk associated with this lack of segregation of duties, and attempt to exercise maximum oversight control over possible areas of risk, such as cash receipts and cash payments.

2023-2: SAS 115

Criteria – A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We believe that the following deficiencies constitute material weaknesses:

We, as auditors, were required to prepare the District financial statements because the District does not have adequate resources or resources with the knowledge required to prepare the District’s financial statements in accordance with the modified cash basis of accounting. Additionally, we, as auditors, were required to make year-end adjustments including: modified cash adjusting entries during the current year because the District doesn’t have adequate resources or resources with the knowledge required to propose and book the District’s financial transactions that are not recurring in nature. These entries are necessary, however, to be in accordance with the modified cash basis of accounting.

Condition – We, as auditors, were required to prepare the District financial statements because the District does not have adequate resources or resources with the knowledge required to prepare the District’s financial statements in accordance with the modified cash basis of accounting. Additionally, we, as auditors, were required to make year-end adjustments including: modified cash adjusting entries during the current year because the District doesn’t have adequate resources or resources with the knowledge required to propose and book the District’s financial transactions that are not recurring in nature. These entries are necessary, however, to be in accordance with the modified cash basis of accounting.

Cause – The above procedures were required for the financial statements to be presented in accordance with the modified cash basis of accounting.

Effect – Net Position were increased/decreased as a result of making the necessary adjustments.

Recommendation – Management should continuously monitor the possibilities of outsourcing the procedures necessary to make the necessary adjustments to present the financial statements in accordance with the modified cash basis of accounting.

Views of Responsible officials and planned corrective action – Management will monitor the possibilities of outsourcing the procedures necessary to make the necessary adjustments to present the financial statements in accordance with the modified cash basis of accounting.

B. Questioned Costs

NONE