

WOODS COUNTY CONSERVATION DISTRICT

**Independent Auditor's Report and
Financial Statements**

Year Ended June 30, 2023



WOODS COUNTY CONSERVATION DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Woods County Conservation District

Opinions

We have audited the accompanying modified cash basis financial statements of the Woods 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 Woods County Conservation District's basic financial statements as listed in the table of contents.

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 Woods 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 1 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 1, 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.

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 and *Government 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.

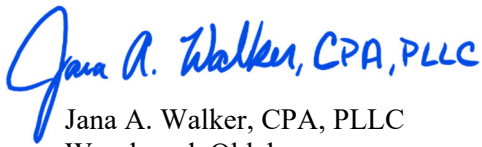
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 Woods 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 Woods 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 November 14, 2023, on our consideration of the Woods 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 Woods 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 Woods County Conservation District's internal control over financial reporting and compliance.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
November 14, 2023

WOODS COUNTY CONSERVATION DISTRICT
STATEMENT OF NET POSITION—MODIFIED CASH BASIS
As of June 30, 2023

Assets

Current assets:

Cash and cash equivalents	\$ 64,600
Total current assets	<u>64,600</u>

Noncurrent assets:

Property and equipment-unrestricted	186,549
Property and equipment-restricted	71,609
Less: Accumulated depreciation	<u>(183,775)</u>
Total noncurrent assets	<u>74,383</u>

Total assets	<u><u>\$ 138,983</u></u>
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Liabilities and Net Position

Liabilities:	\$ -
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Net position:

Net investment in capital assets	74,383
Restricted	-
Unrestricted	<u>64,600</u>
Total net position	<u>138,983</u>

Total liabilities and net position	<u><u>\$ 138,983</u></u>
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The accompanying report and notes are an integral part of these financial statements.

WOODS COUNTY CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION—MODIFIED CASH BASIS
For the Year Ended June 30, 2023

Operating revenues:	
Sales, service & rentals	\$ 32,644
Cost share received	290,015
Grants and donations	3,000
Plat books and maps	455
Other income	185
Total Operating Revenues	326,299
 Operating Expenses	
Payroll	30,015
Payroll Taxes, Insurance & Retirement	10,177
Utilities and telephone	5,215
Office supplies	1,135
Equipment repairs, fuel, and supplies	4,405
Seed, grass and plat book	28,583
Equipment Rented	-
Insurance and bonds	5,176
Depreciation	20,536
Travel & Meeting expense	2,724
Cost Share Payments	284,597
Field Days, Awards, Donation, Advertising	106
Total operating expenses	392,669
Operating (loss) income	(66,370)
 Non-operating revenues (expenses):	
OCC reimbursements	45,063
Interest income	683
Gain/(Loss) on Sale of Assets	3,000
Total non-operating revenues (expenses)	48,746
Changes in net position	(17,624)
Net position, beginning of year	156,607
Net position, end of year	\$ 138,983

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

WOODS COUNTY CONSERVATION DISTRICT
STATEMENTS OF CASH FLOWS
For the year ended June 30, 2023

Cash flows from operating activities:	
Cash received for services	\$ 323,114
Cash payments to suppliers for goods and services	(331,941)
Cash paid to employees	(40,192)
Other receipts	3,185
Net cash (used in) provided by operating activities	(45,834)
 Cash flows from noncapital financing activities:	
Cash receipts from the Oklahoma Conservation Commission	45,063
 Cash flows from capital and related financing activities:	
Sale of equipment	3,000
Purchase of equipment	(14,829)
Net cash used in capital and related financing activities	(11,829)
 Cash flows from investing activities:	
Interest income	683
Net cash provided by investing activities	683
Net (decrease) increase in cash and cash equivalents	(11,917)
Cash and cash equivalents at beginning of year	76,517
Cash and cash equivalents at end of year	\$ 64,600
 Reconciliation of operating loss to net cash provided by operating activities:	
Operating (loss) income	\$ (66,370)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	20,536
Net cash (used in) provided by operating activities	\$ (45,834)

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

WOODS COUNTY CONSERVATION DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2023

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

The Woods County Conservation District (the “District”) under Title 27A, Sections 3-1-101 through 3-3-410, as amended, of the laws of the State of Oklahoma. The District is a component of the Oklahoma Conservation Commission. 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.

Measurement Focus and Basis of Accounting

The financial statements have been prepared in accordance with a basis of accounting other than accounting principles generally accepted in the United States of America. Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District’s financial statements have been presented using the economic resources measurement focus. The accounting objective of the economic resource measurement focus is 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, financial or nonfinancial) associated with the District’s activities are reported.

Basis of Accounting

The financial statements are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in accounting principles generally accepted in the United States. These modifications include adjustments for the following balances arising from the following transactions:

- Capital assets purchased or donated and the depreciation of those assets

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, accrued revenue and receivables, and revenue received from gifts-in-kind) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

WOODS COUNTY CONSERVATION DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2023

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Advertising Costs

All costs associated with advertising are expensed as incurred.

Cash and Cash Equivalents

Deposits and Investments

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents. 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 statement of net assets. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Capital Assets

Capital assets arising from cash transactions or donations are accounted for as assets in the statements of net position—modified cash basis. All capital assets are valued at historical cost, estimated historical cost if actual is unavailable, or fair value at the time of donation. Capital assets acquired by the District are considered to be owned by the District. Presently the District capitalizes, at cost, all expenditures for capital assets in excess of \$500.

WOODS COUNTY CONSERVATION DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2023**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets-continued

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the statements of revenues, expenses, and changes in net position—modified cash basis, with accumulated depreciation reflected in the statements of net position—modified cash basis. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The estimated useful lives by type of asset are as follows:

Buildings and improvements	20 to 27 years
Furniture and equipment	5 to 7 years
Vehicles	5 to 7 years

Equity Classification

Equity is classified as a net position and displayed in one of the following three components:

- a. Net investment in capital assets—consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- b. Restricted for debt service—consists of net positions with constraints placed on the use either by (1) external groups such as creditors, grantees, or contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted—all other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When an expense is incurred that can be paid using either restricted or unrestricted sources, the District’s policy is to first apply the expense towards restricted resources and then toward unrestricted resources.

Oklahoma Conservation Commission

The District is reimbursed by the Oklahoma Conservation Commission for salaries, payroll taxes, mileage, telephone charges, office supplies, and certain other office expenses. When received, such reimbursements are recognized as non-operating revenues.

WOODS COUNTY CONSERVATION DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2023

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. CONTINUED**

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense and the estimated value of property contributed); accordingly, actual results could differ from those estimates.

Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions; such as (1) sales, service, & rentals; (2) Cost share received; (3) Plat books and maps; and (4) certain other revenue.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by *GASB No. 9 Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations, governmental and other pass-through grants, and investment income

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through November 14, 2023 the date which the financial statements were available to be issued and determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

WOODS COUNTY CONSERVATION DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2023**

(2) CASHLAND INVESTMENTS

Custodial Credit Risk—Cash

As of June 30, 2023, the District had deposits in financial institutions, reported as components of cash and cash equivalents. The District had depository insurance on amounts up to \$250,000. As of June 30, 2023 no deposits were exposed to custodial credit risk.

Investments

The District had no investments as of June 30, 2023.

(3) CAPITAL ASSETS

Capital asset activity, resulting from cash transactions and donations, for the fiscal years ended June 30, 2023, was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets				
Land & Buildings	\$ 22,793	\$ -	\$ -	\$ 22,793
Machinery and equipment	181,279	14,829	-	196,108
Vehicles	39,257	-	-	39,257
Total	243,329	14,829	-	258,158
Less: Accumulated Depreciation				
Land & Buildings	(22,793)	-	-	(22,793)
Machinery and equipment	(132,595)	(12,685)	-	(145,280)
Vehicles	(7,851)	(7,851)	-	(15,702)
Total	(163,239)	(20,536)	-	(183,775)
Capital Assets, net	\$ 80,090	\$ (5,707)	\$ -	\$ 74,383

Depreciation expense for the fiscal year ended June 30, 2023 was \$20,536. The District received a grant with a restriction for a Bob Cat purchase in fiscal year 2020, the total cost was \$71,609 with accumulated depreciation of \$40,919 for a net book value of \$30,689. The restriction will be released during fiscal year 2025.

WOODS COUNTY CONSERVATION DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2023

(4) **EMPLOYEE BENEFIT 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 employers 16½ % share of retirement was paid directly by the Commission. The employees' share of the retirement contribution was 3½% of locally earned wages and 3 ½% of state reimbursable wages.

(5) **RESTRICTED ASSETS**

The District received a REAP grant in the amount of \$48,204 on April 17, 2020 that was credited to the purchase of equipment. The total purchase price of the equipment was \$71,609 and is for a period of 5 years per the grant agreement. The restrictions will release in 2025.

(6) **COMPENSATED ABSENCES**

The District did not accrue a liability for vacation pay or other compensated absences. The amount of earned unpaid compensated absences at June 30, 2023 was approximately \$2,186.

(7) **CONCENTRATION OF INCOME**

In a typical year, the District receives approximately 89% of its funding from the Oklahoma Conservation Commission. Due to the uncertainty of maintaining those levels of funding from year to year it is possible that the operations of the organization would have to be curtailed significantly in the event that those appropriations were not made. Due to the extent those revenues make up the total revenues of the organization, loss of that funding could have a material impact on the financial position of the organization as a whole.

(8) **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The District maintains insurance coverage for these risks.

WOODS COUNTY CONSERVATION DISTRICT

**Notes to Financial Statements
For the Year Ended June 30, 2023**

(9) COMMITMENTS AND CONTINGENCIES

Litigation

The nature of the District's business may result in claims and litigation alleging that the District is liable for damages arising from the conduct of its employees or others. In the opinion of management, there are no pending legal proceedings that would have a material effect on the financial position or results of operations of the District.

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 of
Woods County Conservation District

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 financial statements of the business-type activities of Woods County Conservation District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Woods County Conservation District's basic financial statements and have issued our report thereon dated November 14, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Woods 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 Wood County Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Woods 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. *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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and response as items 2023-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

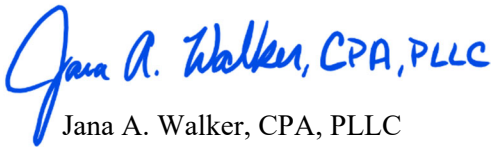
As part of obtaining reasonable assurance about whether Woods County Conservation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Woods County Conservation District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Woods County Conservation District's response to the findings identified in our audit and described in the accompanying schedule of findings and response. Woods 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.



Jana A. Walker, CPA, PLLC
Woodward, Oklahoma
November 14, 2023

**Woods County Conservation District
Schedule of Findings and Responses
Year Ended June 30, 2023**

FINDING 2023-001 Lack of Segregation of Duties

Condition: The District does not have adequate segregation of duties for internal control over financial accounting and reporting. The same individual is responsible for invoices, bill payment, reconciliation, and monthly financial reporting.

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the District's assets and ensure accurate financial reporting.

Cause: The District's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect These conditions could result in material errors or fraud occurring and not be detected on a timely basis.

Recommendation: Recommend that duties be segregated to the extent possible should consider implementing controls that could mitigate these risks.

Current Status: The Board is aware of the issue and uses their oversight to mitigate the risk to the extent possible. It is not feasible for the District to hire additional employees at this time.