

McClain County Conservation District

Independent Auditor's Report
and Financial Statements

June 30, 2022

McClain County Conservation District
June 30, 2022

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Board of Trustees
McClain County Conservation District Authority

Opinions

We have audited the accompanying financial statements of McClain County Conservation District Authority as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority'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 financial position of McClain County Conservation District Authority, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting.

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 McClain County Conservation District Authority 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.

Management's Responsibility 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; this includes 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 McClain County Conservation District Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 McClain County Conservation District Authority'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 McClain County Conservation District Authority'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 26, 2022, on our consideration of the McClain County Conservation District Authority 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McClain County Conservation District Authority internal control over financial reporting and compliance.



Hood & Associates CPA's, P.C. Certified Public Accountants
Tulsa, Oklahoma
September 26, 2022

HOOD & ASSOCIATES CPAs, P.C.

5350 E 46th, Suite 130, Tulsa, OK 74135 918-747-7000 Fax 918-743-7525 www.hoodcpas.com
1821 SE Washington Blvd., Bartlesville, OK 74006 918-336-7600 Fax 918-333-7600
323 W 1st St., Claremore, OK 74017 918-341-1930 Fax 918-342-3183
2310 N Hwy 66, Suite A, Catoosa, OK 74015 918-739-4662 Fax 918-739-4664



Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Board of Directors
McClain County Conservation District

We have audited the financial statements of *McClain County Conservation District* as of and for the year ended June 30, 2022, and have issued our report thereon dated September 26, 2022. 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 McClain 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 McClain County Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of McClain 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McClain 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*.

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, PC
Hood & Associates CPAs, P.C.
Certified Public Accountants

September 26, 2022

McClain County Conservation District

Statement of Net Assets

June 30, 2022

Assets

Current Assets:

Cash and cash equivalents	\$	13,770.64
Investments		3,236.76
Total Current Assets		<u>17,007.40</u>

Fixed Assets:

Property, Plant & Equipment		98,608.00
Less Accumulated Depreciation		(98,608.00)
Total Fixed Assets		<u>0.00</u>
Total Assets		<u>17,007.40</u>

Liabilities and Fund Net Assets

Fund Net Assets:

Unrestricted	\$	<u>17,007.40</u>
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See Accompanying Independent Auditor's Report.

McClain County Conservation District
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2022

Operating Revenues:

State Treasury Reimbursement	\$ 233,402.80
Local Income	2,840.00
Other Income	10,393.20
Grant Income (Wrong Acct)	25,400.00
Total Operating Revenues	<u>272,036.00</u>

Operating Expenditures:

Audit and Accounting fees	750.00
Cost Share	17,649.92
Bank Charges	32.00
Unemployment Tax	484.60
Watershed	78,516.75
Performance Plus	41,527.00
Insurance and Retirement	4,936.61
Miscellaneous	29,410.75
Office and Equipment rental	559.32
Payroll Tax Expenses	17,383.94
Per Diem	1,762.00
Registrations and Dues	1,370.00
Repairs	3,632.15
Salaries and Wages	65,578.84
Telephone and Utilities	770.68
Supplies	6,188.64
Mileage	232.36
Meeting Expense	490.00
Postage	367.89
Total Operating Expenses	<u>271,643.45</u>

<i>Operating Net Income (Loss)</i>	<u>392.55</u>
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Non-Operating Income (Loss):

Interest Income	<u>11.16</u>
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<i>Change in Net Assets</i>	403.71
Fund Net Assets at July 1, 2020	<u>16,603.69</u>
Fund Net Assets at June 30, 2021	<u><u>\$ 17,007.40</u></u>

See Accompanying Independent Auditor's Report.

McClain County Conservation District
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash Flows from Operating Activities

Cash Received from Operations	\$ 272,036.00
Cash Payments for Operating Expenses	(271,643.45)
Net Cash Provided (Used) by Operating Activities	<u>392.55</u>

Cash Flows from Non-Capital Financing Activities

Cash Flows from Capital and Related Financing Activities

Cash Flows from Investing Activities

Interest Income Received	<u>11.16</u>
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Net Increase (Decrease) in Cash and Cash Equivalents 403.71

Cash and Cash Equivalents – Beginning	16,603.69
Cash and Cash Equivalents – Ending	<u><u>\$ 17,007.40</u></u>

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities:**

Operating Net Income (Loss) 392.55

Adjustments to Reconcile Operating Income to Net Cash

Provided by Operating Activities:

Changes in Assets and Liabilities:

Net Cash Provided by Operating Activities \$ 392.55

See Accompanying Independent Auditor's Report.

McClain County Conservation District
Notes to Financial Statements
June 30, 2022

I. Summary of Significant Accounting Policies (continued)

The **McClain County Conservation District** is a political subdivision organized under the laws of the State of Oklahoma for the benefit of the citizens of McClain 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 District for which the elected officials of the primary government are financially accountable and other District 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 District 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.

McClain County Conservation District
Notes to Financial Statements
June 30, 2022

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 assets (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 assets.

The district utilizes 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 charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budget Presentation

There is not budget to actual comparison presentation included with the financial statements.

E. Concentrations of Credit and Market Risk

Financial instruments that potentially expose the District to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. The District has not experienced any losses on its cash equivalents.

F. Assets, Liabilities and Net Assets

1. 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.

McClain County Conservation District
Notes to Financial Statements
June 30, 2022

I. Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities and Net Assets (continued)

2. Investments

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.

3. Capital Assets

The equipment is 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.

4. Equity Classifications

Equity is classified as net assets 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 assets --- Consists of net assets 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 assets --- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

5. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Actual results could differ from those estimates.

McClain County Conservation District
Notes to Financial Statements
June 30, 2022

II. Detailed Notes Concerning the Funds

A. 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.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District'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, 2022, none of the District's investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

B. Changes in Capital Assets

	Balance at 06/30/21	Additions	Dispositions	Balance at 06/30/22
Building	\$ 5,000.00	\$	\$	\$ 5,000.00
Equipment	93,608.00			93,608.00
Totals	<u>\$ 98,608.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 98,608.00</u>