

WASHITA COUNTY CONSERVATION  
DISTRICT NO. 86

FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT

JUNE 30, 2023

**WASHITA COUNTY CONSERVATION  
DISTRICT NO. 86**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Washita County Conservation District No. 86  
Cordell, Oklahoma

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying cash basis financial statements of the Washita County Conservation District No. 86 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's 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 cash basis financial position of the Washita County Conservation District No. 86 as of June 30, 2023, and the respective changes in cash basis financial position and its cash flows for the year then ended, in conformity with the cash basis of accounting described in Note A.

#### Basis for Opinion

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 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 opinion.

### **Emphasis of Matter - Basis of Accounting**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 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 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 audit report that includes our opinion. 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 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 judgement 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:

1. Exercise professional judgment and maintain professional skepticism throughout the audit.

2. 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.

3. 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 District's internal control. Accordingly, no such opinion is expressed.

4. 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.

5. Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 29, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the District's internal control over financial reporting and on compliance.

*McCulley & McCulley*

Weatherford, Oklahoma

November 29, 2023

**WASHITA COUNTY CONSERVATION DISTRICT NO. 86**  
**STATEMENT OF ASSETS, LIABILITIES, AND NET POSITION**  
**CASH BASIS**  
**June 30, 2023**

|   |                          |
|---|--------------------------|
| <b>ASSETS</b>                             |                          |
| Cash in Bank                              | \$ 117,628               |
| Certificate of Deposit                    | <u>20,000</u>            |
| <b>TOTAL ASSETS</b>                       | <b>\$ <u>137,628</u></b> |
| <br><b>LIABILITIES AND NET POSITION</b>   |                          |
| <b>LIABILITIES</b>                        | <b>\$</b>                |
| <b>NET POSITION</b>                       | <u>137,628</u>           |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b>\$ <u>137,628</u></b> |

The accompanying notes are an integral part of these statements.

**WASHITA COUNTY CONSERVATION DISTRICT NO. 86  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN NET POSITION - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**CASH RECEIPTS**

|                            |                |
|----------------------------|----------------|
| State Reimbursement        | \$ 306,235     |
| USDA/NRCS Grant Income     | 8,000          |
| Equipment Rent Income      | 12,071         |
| Sale of Seed               | 8,395          |
| Cedar Cutting/Bobcat Work  | 1,384          |
| Interest Income            | 341            |
| Other Income               | 1,759          |
|                            | 338,185        |
| <b>TOTAL CASH RECEIPTS</b> | <b>338,185</b> |

**CASH DISBURSEMENTS**

|   |                |
|---|----------------|
| Compensation and Benefits                     | 97,475         |
| Retirement and Health Insurance               | 7,479          |
| Watershed Maintenance                         | 4,921          |
| State Cost Share Payments                     | 207,754        |
| Telephone                                     | 626            |
| Meeting Expenses                              | 1,891          |
| Transportation Expenses                       | 383            |
| Mileage Expense                               | 395            |
| Seed Purchases                                | 7,786          |
| Classroom and Education                       | 100            |
| Advertising                                   | 24             |
| Licenses and Dues                             | 885            |
| Insurance                                     | 3,371          |
| Office Expenses                               | 304            |
| Equipment Rental - Cancelable Operating Lease | 559            |
| Repair and Maintenance                        | 121            |
| Professional Fees                             | 1,200          |
| Other Expense                                 |                |
|   | 335,274        |
| <b>TOTAL CASH DISBURSEMENTS</b>               | <b>335,274</b> |

**NET CASH RECEIPTS**

2,911

**NET POSITION**

|                   |                   |
|-------------------|-------------------|
| Beginning of Year | 134,717           |
|                   |                   |
| End of Year       | \$ <u>137,628</u> |

The accompanying notes are an integral part of these statements.

**WASHITA COUNTY CONSERVATION DISTRICT NO. 86  
STATEMENT OF CASH FLOWS - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2023**

|   |                          |
|---|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                          |
| Cash Received from State Reimbursements   | \$ 306,235               |
| Cash Received from Grants   | 8,000                    |
| Cash Received in Rent   | 12,071                   |
| Cash Received from Seed Sales   | 8,395                    |
| Cash Received from Cedar Cutting/Bobcat Work  | 1,384                    |
| Cash Received from Interest   | 341                      |
| Cash Received from Other Income   | 1,759                    |
| Cash Paid to Employees and Benefits   | (104,954)                |
| Cash Paid for Operations  | <u>(230,320)</u>         |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <u>2,911</u>             |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | 2,911                    |
| <b>CASH AND CASH EQUIVALENTS</b>  |                          |
| Beginning of Year   | <u>134,717</u>           |
| End of Year   | <u><u>\$ 137,628</u></u> |
| <b>RECONCILIATION OF NET CASH RECEIPTS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b> |                          |
| Net Cash Receipts   | <u>\$ 2,911</u>          |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <u><u>\$ 2,911</u></u>   |

The accompanying notes are an integral part of these statements.



**WASHITA COUNTY CONSERVATION DISTRICT NO. 86**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2023**

**A. Summary of Significant Accounting Policies.**

The Oklahoma State Conservation District Act (Title 27A-3) defines the Washita County Conservation District No. 86, (the District), as a governmental subdivision of the State of Oklahoma. The Conservation District Act also established the Oklahoma Conservation Commission which provides funding and services to the District. Consequently, the District is considered to be a component unit of the Oklahoma Conservation Commission. The District was created to implement soil conservation measures in Washita County, State of Oklahoma, and is financed by user charges and the Oklahoma Conservation Commission.

**1. Basis of Accounting.**

The District's policy is to prepare its financial statements on the cash basis of accounting; consequently, revenues are recognized when received rather than when earned, and expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

**2. Cash in Bank and Certificate of Deposit.**

Cash in bank consists of the District's checking and savings accounts. The market value of the certificate of deposit approximates cost. All deposits are insured by the Federal Deposit Insurance Corporation.

For purposes of the statement of cash flows, the District considers all cash in bank and the certificate of deposit to be cash equivalents.

**B. Capital Assets.**

In accordance with the cash basis of accounting, the District's capital assets are recognized as an expense when cash is disbursed. Sales of capital assets are recognized as income when sold and cash is received.

**C. Risk Management.**

The District purchases insurance on its vehicle and equipment. Insurance does not cover some equipment. Deductibles amount is \$1,000. Surety Bonds are purchased for the employees and Board of Directors. The Oklahoma Conservation Commission purchases workers compensation insurance for the District.

**WASHITA COUNTY CONSERVATION DISTRICT NO. 86**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2023**

**D. Employee Retirement System.**

The District participates in the state-administered Oklahoma Public Employees Retirement System (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (OPERS). Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all regular employees who work at least 1000 hours per year and are not seasonal or temporary employees. A participant's date of membership is the date the first contribution is made to the System. The actuarial valuation report as of July 1, 2023, does not give pension information down to the District level of participation. The required disclosure information is not presented since it is not available at the District level. The System is administered by a Board of Trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

A participant with 80 age/service points if hired before July 1, 1992 or 90 age/service points if hired after July 1, 1992, may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five with 10 years of service. The normal retirement allowance equals two percent of the members final average compensation multiplied by the number of years of credited service. When a retired participant dies, the beneficiary is entitled to a death benefit.

The contribution rates for the Districts, which are not actuarially determined, and its employees are established by Oklahoma statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 16.5% of the applicable compensation for the year ended June 30, 2023. This contribution is actually paid by the Oklahoma Conservation Commission, except for compensation paid with grant or local funds. The District is allowed by the Oklahoma Public Employees Retirements System to make the required contributions on behalf of the participating members. Employees contribute 3.5% of earnings for the year ended June 30, 2023.

Ten year historical trend information is presented in the Oklahoma Public Employees' Retirement System Annual Report for the year ended June 30, 2023 (latest available). This

WASHITA COUNTY CONSERVATION DISTRICT NO. 86  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2023

D. Employee Retirement System (continued).

information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. A publicly available financial report and required supplementary information for the System can be obtained by writing to the Oklahoma Public Employees Retirement System, P. O. box 583007, Oklahoma City, OK 73152-3007 or it can be obtained online at <http://www.opers.ok.gov/>.

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**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  
Washita County Conservation District No. 86  
Cordell, 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 accompanying cash basis financial statements of the Washita County Conservation District No. 86, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report dated November 29, 2023. The District reports on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles of the United States.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 accompanying financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses. We consider the deficiencies described in the accompanying report entitled "Statement of Findings and Responses" to be a material weakness.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 the objective of our audit. 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.

#### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying report "Statement of Findings and Responses". The 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**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing. It is 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.

*McCulley + McCulley*

Weatherford, Oklahoma

November 29, 2023

**WASHITA COUNTY CONSERVATION DISTRICT NO. 86  
STATEMENT OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDING JUNE 30, 2023**

**1. Lack of Segregation of Duties.**

**CONDITION AND EFFECT** - The District does not have adequate segregation of duties since it only has one office employee. Material errors or fraud could occur and not be found in a timely manner.

**RECOMMENDATION** - The District should segregate the duties to the extent possible should new employees be hired.

**RESPONSE** - The District has surety bond insurance to reduce any risk of loss. The District believes the cost of hiring additional employees is not economically feasible.

WASHITA COUNTY CONSERVATION DISTRICT NO. 86  
UPDATE ON JUNE 30, 2020, AUDIT'S FINDINGS  
FOR THE YEAR ENDING JUNE 30, 2023

1. Lack of Segregation of Duties.

**CONDITION AND EFFECT** - The District does not have adequate segregation of duties since it only has one office employee. Material errors or fraud could occur and not be found in a timely manner.

**RECOMMENDATION** - The District should segregate the duties to the extent possible should new employees be hired.

**RESPONSE** - The District has surety bond insurance to reduce any risk of loss. The District believes the cost of hiring additional employees is not economically feasible.

**UPDATED COMMENT** - Situation is the same. Comment repeated.