

**KAY COUNTY CONSERVATION DISTRICT**

**ANNUAL FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

KAY COUNTY CONSERVATION DISTRICT  
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YEAR ENDED JUNE 30, 2012

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## Accountant's Compilation Report

Board of Directors  
Kay County Conservation District

We have compiled the accompanying financial statements of the Kay County Conservation District as of and for the year ended June 30, 2012. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair representation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.



Kimberlye R. Mayer, CPA, PC  
Blackwell, Oklahoma  
July 23, 2012

FINANCIAL STATEMENTS

AND

NOTES

KAY COUNTY CONSERVATION DISTRICT  
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS  
MODIFIED CASH BASIS  
JUNE 30, 2012

ASSETS

|   |            |
|---|------------|
| Current Assets:   |            |
| Cash  | \$ 46,387  |
| Certificates of deposit   | 12,674     |
| Building account  | 15,041     |
| Total Cash and Cash Equivalents   | 74,102     |
| Land, buildings and equipment<br>(Net of accumulated depreciation) (Note 5) | 267,512    |
| Deposits  | 250        |
| Total Assets  | \$ 341,864 |

LIABILITIES AND NET ASSETS

|   |            |
|---|------------|
| Current Liabilities:                            |            |
| Notes payable, current portion (Note 6)         | \$ 25,125  |
| Noncurrent Liabilities:                         |            |
| Notes payable, long term (Note 6)               | 93,904     |
| Total Liabilities                               | 119,029    |
| Net Assets:                                     |            |
| Invested in capital assets, net of related debt | 148,483    |
| Unrestricted                                    | 74,352     |
| Total Net Assets                                | 222,835    |
| Total Liabilities and Net Assets                | \$ 341,864 |

KAY COUNTY CONSERVATION DISTRICT  
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS  
MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2012

|                                       |                          |
|---------------------------------------|--------------------------|
| Revenues:                             |                          |
| OCC reimbursements                    | \$ 107,123               |
| Equipment rental                      | 18,656                   |
| Sales of roots and grass seed         | 27,641                   |
| Office rent                           | 59,936                   |
| Sales of plat books and maps          | 2,810                    |
| Donations and grants                  | 6,427                    |
| Oil and gas lease                     | 1,350                    |
| Other income                          | 1,219                    |
| Total Operating Revenues              | <u>225,162</u>           |
| Expenses:                             |                          |
| Salaries                              | 93,838                   |
| Payroll taxes and employee benefits   | 7,582                    |
| Repairs and maintenance               | 3,848                    |
| Telephone and mobile phones           | 1,144                    |
| Office supplies and postage           | 2,456                    |
| Plat books and maps                   | 1,400                    |
| Mileage, meetings and travel          | 7,275                    |
| Professional fees                     | 355                      |
| Seeds and roots                       | 22,918                   |
| Dues and memberships                  | 1,475                    |
| Utilities                             | 7,408                    |
| Storage rental                        | 825                      |
| Fuel                                  | 1,126                    |
| Contests, events and sponsorships     | 5,401                    |
| Scholarships                          | 1,500                    |
| Outside services                      | 1,446                    |
| Outdoor classroom                     | 1,869                    |
| Insurance                             | 2,704                    |
| Depreciation                          | 18,032                   |
| Janitor expenses                      | 10,754                   |
| Other expenses                        | 841                      |
| Total Operating Expenses              | <u>194,197</u>           |
| Operating Income (Loss)               | 30,965                   |
| Nonoperating Revenues (Expenses):     |                          |
| Interest income                       | 192                      |
| Interest expense                      | <u>(4,439)</u>           |
| Total Nonoperating Revenue (Expenses) | <u>(4,247)</u>           |
| Changes in net assets                 | 26,718                   |
| Net assets at beginning of year       | <u>196,117</u>           |
| Net assets at end of year             | <u><u>\$ 222,835</u></u> |

See Accountant's Compilation Report

KAY COUNTY CONSERVATION DISTRICT  
STATEMENT OF CASH FLOWS  
MODIFIED CASH BASIS  
YEAR ENDED JUNE 30, 2012

|   |                         |
|---|-------------------------|
| Cash flows From Operating Activities:   |                         |
| Cash received from customers  | \$ 49,107               |
| Other operating cash receipts   | 176,055                 |
| Cash payments to suppliers for goods and services   | (82,327)                |
| Cash payments to employees  | <u>(93,838)</u>         |
| Net cash provided (used) by operating activities  | 48,997                  |
| Cash flows from non-capital financing activities:   |                         |
| Cash flows from capital and related financing activities:   |                         |
| Purchase of assets  | (7,736)                 |
| Principle payments  | (30,561)                |
| Interest payments   | <u>(4,439)</u>          |
| Net cash provided (used) by financing activities  | (42,736)                |
| Cash flows from investing activities:   |                         |
| Interest on cash and investments  | 192                     |
| (Increase) decrease in fixed assets   | <u>192</u>              |
| Net cash provided (used) by investing activities  | <u>192</u>              |
| Net increase (decrease) in cash and cash equivalents  | 6,453                   |
| Beginning cash and cash equivalents   | <u>67,649</u>           |
| Ending cash and cash equivalents  | <u><u>\$ 74,102</u></u> |
| Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:        |                         |
| Income (Loss) from operations   | 30,965                  |
| Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities: |                         |
| Depreciation  | 18,032                  |
| Changes in assets and liabilities:  |                         |
| Increase in deposits  | <u>          </u>       |
| Net cash provided (used) by operating activities  | <u><u>\$ 48,997</u></u> |

KAY COUNTY CONSERVATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

On July 3, 1995, the Arkansas River – Kay County Conservation District and the Western Kay County Conservation District were consolidated to form the Kay County Conservation District. The assets were transferred to Kay County Conservation District on July 10, 1995. The District was created under Title 27A, Sections 3-1-101 through 3-3-410, as amended, of the laws of the State of Oklahoma. The purpose of the District is to provide for the conservation of the renewable natural resources in the area for which the District is responsible.

Basis of Accounting

The District prepares its financial statements using the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with provision for depreciation in the financial statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As result of the use of this 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) 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.

Net Assets

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

NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT:

Bank balances and certificates of deposit are covered by the Federal Deposit Insurance Corporation. All deposits at June 30, 2012 were fully insured.

NOTE 3 – INVESTMENTS:

The State of Oklahoma allows government entities to invest in the following: direct obligations of the United States Government, its agencies or instrumentalities, collateralized or insured certificates of deposit, insured savings accounts or savings certificates, or county, municipal or school district direct debt.

KAY COUNTY CONSERVATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2012

NOTE 4 – CASH AND CASH EQUIVALENTS:

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

NOTE 5 – LAND, PROPERTY AND EQUIPMENT:

Depreciable assets are recorded at cost when purchased or constructed. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed. Depreciation is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. Total depreciation for the year ended June 30, 2012 was \$18,032. The following is a summary by category of changes in property and equipment:

| <u>Category</u>          | <u>6/30/11</u>    | <u>Additions</u>   | <u>Deletions</u> | <u>6/30/12</u>    |
|--------------------------|-------------------|--------------------|------------------|-------------------|
| Land                     | \$ 37,931         | \$                 | \$               | \$ 37,931         |
| Building & improvements  | 297,270           | 7,736              |                  | 305,006           |
| Machinery and equipment  | 107,727           |                    |                  | 107,727           |
| Totals                   | <u>442,928</u>    |                    |                  | <u>450,664</u>    |
| Accumulated depreciation | (165,120)         | (18,032)           |                  | (183,152)         |
| Net                      | <u>\$ 277,808</u> | <u>\$ (18,032)</u> | <u>\$</u>        | <u>\$ 267,512</u> |

NOTE 6 – NOTES PAYABLE:

On July 26, 2004 the District entered into a note agreement with the Dewey-Cimarron County Conservation Limited Partnership for \$315,000. The proceeds of this note were used to acquire land and to construct an office building. The monthly payments are \$2,491.78. The interest rate for the first 60 months was 5%. The interest rate will be adjusted every 60 months to prime rate plus 1% until the note matures on November 15, 2019. The current interest rate is 4.25%. Collateral for this note is the land, buildings, machinery and equipment and the receivables. The following is a summary of the District's future annual debt requirements and the activity during the year ended June 30, 2012:

| <u>Year Ending</u> | <u>Amount</u>     |                    |                   |
|--------------------|-------------------|--------------------|-------------------|
| 6/30/13            | \$ 29,901         | Balance at 6/30/11 | \$ 149,590        |
| 6/30/14            | 29,901            | Principle payments | (30,561)          |
| 6/30/15            | 29,901            | Balance at 6/30/12 | <u>\$ 119,029</u> |
| 6/30/16            | 29,901            |                    |                   |
| 6/30/17            | 11,613            |                    |                   |
|                    | <u>131,217</u>    |                    |                   |
| Less interest      | (12,188)          |                    |                   |
| Net                | <u>\$ 119,029</u> |                    |                   |

KAY COUNTY CONSERVTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012

NOTE 7 – OCC REIMBURSEMENTS:

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

NOTE 8 – RETIREMENT PLAN:

Oklahoma public employees who work 1,000 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 15 ½% share of retirement was paid directly by the Commission. The employees' share of the retirement contribution was 15 ½% of locally earned wages and 3 ½% of state reimbursable wages.

NOTE 9 – LEASE AGREEMENT:

The District has entered into a lease agreement with the USDA-CCC for the lease of office space. The District received \$59,936 during the year ended June 30, 2012.

NOTE 10 – ESTIMATES:

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

NOTE 11 – RISK MANAGEMENT:

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

NOTE 12 – CONTINGENCIES:

As of June 30, 2012, the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.