

FILED

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State Auditor & Inspector

**KIAMICHI CONSERVATION
DISTRICT #6**

FINANCIAL STATEMENTS

JUNE 30, 2011

At 12:15 O'clock PM in the
FILED office of the County Clerk of Choctaw County
State of OK and Recorded

NOV 16 2011



In Book _____ at Page _____
Emily Van Worth County Clerk
By jc Deputy

KIAMICHI CONSERVATION DISTRICT #6

JUNE 30, 2011

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KIAMICHI CONSERVATION DISTRICT #6

LIST OF PRINCIPAL OFFICIALS

Board of Directors

Chairman	James Bodine
Vice-Chairman	George Harrington
Secretary-Treasurer	Thomas Crawford
Member	Raymond Fennell
Member	Bob Holley

Manager

Greg Robertson

Secretary

Lisa Payne

DAVID F. HEDGES, CPA

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Member:
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Board of Directors
Kiamichi Conservation District #6

I have compiled the accompanying statement of net assets – modified cash basis of Kiamichi Conservation District #6 as of June 30, 2011, and the related statement of revenues, expenses and changes in net assets and the statement of cash flows for the year then ended. I 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.

The Kiamichi Conservation District #6 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 presentation of the financial statements.

My 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.

Management has omitted the management's discussion and analysis information that is required to be presented for purposes of additional analysis. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Spiro, Oklahoma
October 30, 2011



KIAMICHI CONSERVATION DISTRICT #6
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2011

ASSETS

Current Assets:

Cash and Cash Equivalents	36,220
Total Current Assets	<u>36,220</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	4,239
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Capital Assets:

Furniture and Fixtures	1,688
Equipment	53,255
Vehicles	3,910
Less Accumulated Depreciation	<u>(49,706)</u>
Total Net Capital Assets	<u>9,147</u>

Total Noncurrent Assets	<u>13,386</u>
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Total Assets	<u><u>49,606</u></u>
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LIABILITIES

Current Liabilities:

Withheld and Accrued Payroll Taxes	<u>937</u>
Total Liabilities	<u>937</u>

NET ASSETS:

Invested in Capital Assets, Net of Related Debt	9,147
Unrestricted	35,283
Restricted	<u>4,239</u>
Total Net Assets	<u><u>48,669</u></u>

See accompanying notes and accountant's compilation report

**KIAMICHI CONSERVATION DISTRICT #6
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

OPERATING REVENUES:

Oklahoma Conservation Commission	67,957
Equipment Rental & Custom Work	13,070
Plat Books & Map Sales	2,186
Donations	1,100
Miscellaneous	513
Total Operating Revenues	84,826

OPERATING EXPENSES:

District Salaries & Related Costs	64,915
Directors' Meeting	1,300
Dues, Subscriptions & Advertising	2,266
Barn Rent	240
Professional Fees	2,000
Office Supplies	929
Repairs, Maintenance & Fuel	4,936
Education & Scholarships	57
Insurance & Bonds	1,106
Meetings, Travel & Mileage	2,649
Utilities & Telephone	894
Sales Tax	67
Donations	395
Miscellaneous	235
Depreciation Expense	3,147
Total Operating Expenses	85,136

Operating Income (310)

NONOPERATING REVENUES (EXPENSES):

Gain (Loss on Sale of Assets)	5,200
Interest Income	105
Total Nonoperating Revenues (Expenses)	5,305

Changes in Net Assets 4,995

Net Assets - Beginning of the Year 43,674

Net Assets - End of the Year **48,669**

See accompanying notes and accountant's compilation report

**KIAMICHI CONSERVATION DISTRICT #6
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from Oklahoma Conservation Commission	67,957
Cash received from custom services	15,256
Cash paid to employees	(64,660)
Cash paid to suppliers	(17,074)
Other receipts	<u>1,613</u>
Net Cash Provided (Used) by Operating Activities	<u><u>3,092</u></u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	(4,295)
Proceeds from sale of capital assets	<u>5,200</u>
Net Cash Provided (Used) in Capital and Related Financing Activities	<u><u>905</u></u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income received	<u>105</u>
Net Cash Provided by Investing Activities	<u><u>105</u></u>

Net Increase in Cash and Cash Equivalents	4,102
Beginning Cash and Cash Equivalents	<u>36,357</u>
Ending Cash and Cash Equivalents	<u><u>40,459</u></u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY

Operating Activities:	
Operating income	(310)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,147
Payroll Taxes Withholding Increase (Decrease)	<u>255</u>
Net Cash Provided by Operating Activities	<u><u>3,092</u></u>

See accompanying notes and accountant's compilation report

KIAMICHI CONSERVATION DISTRICT #6
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

1.A. FINANCIAL REPORTING ENTITY

The District's financial reporting entity is composed of The Kiamichi Conservation District #6 a special purpose government. In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

1.B. BASIS OF PRESENTATION

FUND FINANCIAL STATEMENTS

- a. Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The District presently has no governmental or fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories.

Enterprise Fund

Enterprise funds are 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. The reporting entity includes the following enterprise fund that is reported as a major fund:

**KIAMICHI CONSERVATION DISTRICT #6
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit, which are fully insured by the Federal Deposit Insurance Corporation.

CAPITAL ASSETS

The District’s modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate.

Fund Financial Statements

In the financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Actual historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2004, the District’s assets were not capitalized. Assets acquired since July 1, 2004 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in Statement of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$150 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	10-25 years
Machinery, furniture and equipment	3-20 years

LONG-TERM DEBT

All long-term debt arising from cash basis transactions to be repaid from the district resources is reported as long term debt in the financial statements.

EQUITY CLASSIFICATION

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

**KIAMICHI CONSERVATION DISTRICT #6
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvements 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 and 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.”

1.E. REVENUES, EXPENDITURES, AND EXPENSES

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. USE OF STATEMENTS

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) 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); accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a government unit, the District is subject to various federal, state, and local laws and contractual regulations. The following instances of noncompliance are considered material to the financial statements.

2.A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. At June 30, 2011, there were no uninsured deposits.

**KIAMICHI CONSERVATION DISTRICT #6
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011**

NOTE 3. DETAIL NOTES—TRANSACTIONS CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Cash accounts are comprised of demand deposit checking accounts and certificates of deposit. The following schedule summarizes all cash deposited and invested as of June 30, 2011:

Account Description	2011 Book Balance
Unrestricted: Time Deposits	\$ 36,220
Total Unrestricted	36,220
Restricted: Time Deposits	4,239
Total Restricted	4,239
Total Deposits	\$ 40,459

Investment Custody Risk – The District’s deposits in financial institutions, reported as cash and investments, had bank balances totaling \$41,877 at June 30, 2011. Of that amount \$41,877 was covered by Federal depository insurance.

Investment Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk – The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U.S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations ; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC.

KIAMICHI CONSERVATION DISTRICT #6
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

3.D. PENSION PLAN

All full-time employees are covered by and must participate in the Oklahoma Public Employees Retirement Plan (OPERS). The District is not legally required to contribute to the OPERS, which is fully funded by the state and by contribution from covered employees. During the year ended June 30, 2011, the covered employees made contributions of \$2,054 to the OPERS. Under the pension plan, benefits vest after 6 years of full-time employment. An employee with 10 years of service may retire at age 55 and receive reduced retirement benefits.

Based on state statute, employees covered by the pension plan contribute 3.5% of their monthly gross earnings to the pension fund. The state is required to contribute 15.5% of gross earnings to the plan.

The District's total current year payroll for all its employees amounted to \$59,567, of which \$59,567 was amount as the payroll covered by the plan.

3.E. COMPENSATED ABSENCES

The District's policy for accumulation annual leave is based on years of continuous service. Full-time employees with less than five years of service can accumulated up to 240 hours; employees with over five years of service can accumulate up to 480 hours. The accrual of compensated absences is not reflected in modified cash basis statements.

At June 30, 2011, the District had an unrecorded commitment for earned but unused vacation benefits that would require payment upon employee termination of service in the amount of \$7,979.

NOTE 4. OTHER NOTES

4.A. 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; and natural disasters. The District manages these various risks of loss as follows:

**KIAMICHI CONSERVATION DISTRICT #6
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Type of Loss	Method Managed	Risk Retained
a. Torts, errors and omissions	Coverage provided by Oklahoma Conservation Commission through Compsource	None
b. Injuries to employees (workers' compensation)	Coverage provided by Oklahoma Conservation Commission through Compsource	None
c. Physical property loss and natural disasters	Purchased commercial insurance package	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4.B. ECONOMIC DEPENDENCY

Approximately 75% of the organization's total support was provided through funds appropriated annually by the Oklahoma Conservation Commission which are dependent upon legislative approval.

4.C. SUBSEQUENT EVENTS

The organization has adopted FASB ASC 855-10-50, formerly SFAS No. 165, *Subsequent Events*, which is effective for periods ending after June 15, 2009. The standard reflects the existing principles of current subsequent event accounting guidance and requires disclosure of the date through which subsequent events have been evaluated. Management performed an evaluation of the Organization's activity through October 30, 2011, the audit report date, and has concluded that there are no significant subsequent events requiring disclosure through that date.

4.D. STATE CONSERVATION COST-SHARE PROGRAM

The District is an intermediary for the State's Conservation Cost-Share Program. The District performed review, inspection and other services for applicants who received funds under the program.

4.E. CONTINGENT LIABILITIES

The District participates in a state assisted program. This program is audited in accordance with Government Auditing Standards in accordance with the required levels of State Financial Assistance. Audits of prior years have not resulted in any significant disallowed costs; however, grantor agencies may provide for further examinations. Based on prior experience, management believes that further examinations would not result in any significant disallowed costs.