

**NORTHWEST ROGERS COUNTY
FIRE PROTECTION DISTRICT**

ANNUAL FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northwest Rogers County Fire Protection District

Report on the Financial Statements

We have audited the accompanying financial statements of Northwest Rogers County Fire Protection District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 described in Note 2; this includes 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Rogers County Fire Protection District as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with the basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2018, on our consideration of Northwest Rogers County Fire Protection 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 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 Northwest Rogers County Fire Protection District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "David Clam, CPA". The signature is written in a cursive style.

Claremore, OK
August 31, 2018

NORTHWEST ROGERS COUNTY FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
JUNE 30, 2018

Assets

Current Assets

Cash and cash equivalents	<u>\$ 196,761</u>
Total Current Assets	<u>196,761</u>

Noncurrent Assets:

Property and Equipment	
Land	45,646
Equipment	2,492,858
Buildings and improvements	379,201
Accumulated depreciation	<u>(2,505,866)</u>
Property and Equipment, net	<u>411,839</u>
Total Noncurrent Assets	<u>411,839</u>
Total Assets	<u>\$ 608,600</u>

Liabilities and Net Position

Current Liabilities

Lease payable	<u>\$ 251,400</u>
Total Current Liabilities	251,400

Total Liabilities	<u>251,400</u>
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Net Position

Net investment in capital assets	411,839
Unrestricted	<u>(54,639)</u>

Total Net Position	<u>357,200</u>
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Total Liabilities and Net Position	<u>\$ 608,600</u>
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The accompanying notes are an integral part of these financial statements.

NORTHWEST ROGERS COUNTY FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – MODIFIED CASH BASIS
 JUNE 30, 2018

Operating Revenues	
Ad Valorem taxes	\$ 2,015,868
Donations	11,127
Other revenues	<u>5,395</u>
Total Support and Revenue	<u><u>2,032,390</u></u>
Operating Expenses	
Salaries and wages	1,033,996
Payroll taxes	20,212
Pension and retirement	166,352
Health and life insurance	224,665
Depreciation	44,993
Rent - Temporary office	54,000
Workers comp insurance	52,765
Insurance	45,480
Maintenance and repairs	13,704
Computer programs	3,924
Utilities and telephone	37,148
Legal and professional fees	38,813
Office expense	3,724
Operating supplies	21,551
Equipment rental and leasing	210,323
Gas, fuel and oil	26,842
Uniforms	4,566
Travel and meals	1,632
Miscellaneous	<u>6,200</u>
Total Operating Expenses	<u><u>2,010,890</u></u>
Operating Income (Loss)	<u><u>21,500</u></u>
Non-Operating Revenue (Expense)	
Interest expense	(53,815)
Mold remediation	(16,000)
Insurance proceeds	2,721
Bond proposal expenses	(31,485)
Grant income	3,844
Interest Income	<u>683</u>
Total Non-Operating Revenue	<u><u>(94,052)</u></u>
Increase (Decrease) in Net Assets	\$ (72,552)
Net Position , beginning of year, as restated	<u><u>429,752</u></u>
Net Position , end of year	<u><u>\$ 357,200</u></u>

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

NORTHWEST ROGERS COUNTY FIRE PROTECTION DISTRICT
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
 JUNE 30, 2018

Cash Flows From Operating Activities

Cash received from taxes and contributions	\$ 2,032,390
Cash paid for employee expenses	(1,497,990)
Cash paid to suppliers	<u>(467,907)</u>
Net Cash Provided By (Used In) Operating Activities	<u>66,493</u>

Cash Flows from Non-Capital and Related Financing Activities

Mold remediation expenses	(16,000)
Grant proceeds	3,844
Bond proposal expenses	<u>(31,485)</u>
Net Cash Provided By (Used In) Capital Financing Activities	<u>(43,641)</u>

Cash Flows from Capital and Related Financing Activities

Cash paid for interest	<u>(53,815)</u>
Net Cash Provided By (Used In) Capital Financing Activities	<u>(53,815)</u>

Cash Flows From Investing Activities

Proceeds from investments	683
Proceeds from insurance	<u>2,721</u>
Net Cash Used In Investing Activities	<u>(28,081)</u>

Net Increase (Decrease) In Cash (59,044)

Cash And Cash Equivalents, Beginning Of Year 255,805

Cash And Cash Equivalents, End Of Year \$ 196,761

Reconciliation Of Operating Income (Loss) To Net

Cash Provided By (Used In) Operating Activities:

Operating Income \$ 21,500

Adjustments To Reconcile Change In Net Assets To Net Cash Used

Operating Activities:

Depreciation Expense 44,993

Net Cash Provided By (Used In) Operating Activities \$ 66,493

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

Note 1 - Nature of Organization

The Northwest Rogers County Fire Protection District was organized under Oklahoma Statutes to provide fire protection to the constituents of the district. The District is funded primarily through property tax levies under Rogers County.

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity – In considering potential component units, the District follows GASB Statement No. 14, "The Financial Reporting Entity" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus". These statements establish standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the District is financially accountable and other organizations for which the nature and significance of their relationship with the District 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 organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the District's financial statements.

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 generally accepted accounting principles.

As a result of the use of this modified cash basis of accounting, certain transactions are not recorded in the financial statements. For example, accounts receivable and revenue for billed or provided services that have not been collected in cash are not accrued as revenue or receivables.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment – Property and equipment are valued at historical cost or estimated historical cost if actual value is not available. Donated property and equipment is valued at fair market value at the time of donation. Depreciation is provided over the useful life of the assets using straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Improvements	10-25 years
Machinery and equipment	5-20 years

NORTHWEST ROGERS COUNTY FIRE PROTECTION DISTRICT
 NOTES TO FINANCIAL STATEMENT
 JUNE 30, 2018

Net position flow assumption - Sometimes the district will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Statement of net position - Equity is classified as net position and displayed in three components:

- a. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position – 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 position – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

Federal Income Tax - The District is organized under Title 19 of the Oklahoma State Statutes and is considered exempt from federal and state income taxes.

Note 3 - Cash and Investments

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. As of June 30, 2018, none of the District's investments were exposed to custodial credit risk due to being uninsured or uncollateralized.

Note 4 – Property and equipment

A summary of changes in property and equipment is below:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2018</u>
Land	\$ 45,646	-	-	\$ 45,646
Equipment	2,492,858	-	-	2,492,858
Buildings and improvements	379,201	-	-	379,201
Accumulated depreciation	<u>(2,460,873)</u>	<u>(44,993)</u>	<u>-</u>	<u>(2,505,866)</u>
Property and Equipment, net	<u><u>\$ 456,832</u></u>	<u><u>(44,993)</u></u>	<u><u>-</u></u>	<u><u>\$ 411,839</u></u>

Note 5 – Long-Term Debt

As of June 30, 2018, the District had no long-term debt.

Note 6 – Operating Lease

In June 2018, the District entered into a cancelable operating lease agreement for three fire engines. The lease is renewable each fiscal year. Annual payments of \$251,400 are due in March of each fiscal year unless the lease is canceled with a 60 day notice.

Note 7 – Risk Management

Northwest Rogers County Fire Protection District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability and property damage.

Note 8 - Accumulated Unpaid Vacation and Sick Pay

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid.

Note 9 – Pension and retirement obligations

Oklahoma State Firefighter’s Pension and Retirement System (OFPRS)

Plan Description. The District participates in the OFPRS, a cost-sharing multiple-employer defined benefit pension plan administered by the State Pension Board. OFPRS provides retirement, disability, and death benefits to plan members and their beneficiaries. State statutes authorize the state to establish and amend all plan provisions. The state issues a publicly available financial report that includes the applicable financial statements and required supplementary information for SFPRS.

The District’s firefighters individually contribute 8% of gross salaries each month to the OFPRS. The District makes contributions to the OFPRS on behalf of the full-time firefighters amounting to 14% of the employee’s gross salary each month. During the year ended June 30, 2018, the District contributed a total of \$149,051 to the OFPRS.

Note 10 – Contingent liabilities

During, 2018, the District was subject to a lawsuit brought forward by a former employee of the District. Management does not believe the suit will result in an unfavorable outcome for the District; however in the event should the former employee prevail, any potential amounts awarded would be covered by insurance and/or immaterial to the District.

Note 11 – Subsequent events

Management has evaluated subsequent events through the date of the auditor’s report and has determined there were no items of significance to be reported.

Note 12 – Restatement of Beginning Net Position

Beginning net position has been restated by \$15,465. It was determined that fiscal year ended June 30, 2017 financial statements were misstated by the following amounts: Cash was overstated by \$1,299 and Current Liabilities related to the District's warrant account was understated by \$16,764. The net affect was a reduction of beginning net position of \$15,465. This error was caused by receiving inaccurate information from the District's financial institution. This change did not affect current net income.

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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*

To the Board of Directors
Northwest Rogers County Fire Protection 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 governmental activities of the Northwest Rogers County Fire Protection District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Northwest Rogers County Fire Protection District's basic financial statements, and have issued our report thereon dated August 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northwest Rogers County Fire Protection 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northwest Rogers County Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northwest Rogers County Fire Protection District's internal control.

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 may exist that have not been identified.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. [2018-01]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northwest Rogers County Fire Protection 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 determination of financial statement amounts. 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*

Management's Response to Findings

Management's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Management'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

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.

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Claremore, OK
August 31, 2018

NORTHEST ROGERS FIRE PROTECTION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

2018-01 – Financial Reporting – Material Audit Adjustments

CONDITION: The arrival of a fully adjusted trial balance required material journal entries by the organization's auditor. The District started a new QuickBooks company file and did not record capital assets and outstanding checks as of June 30, 2017. Additionally, the District incorrectly dated a cash disbursement July 2018 although the transaction cleared the bank in June 2018.

CRITERIA: The District is responsible for maintaining accurate financial records that should include all capital assets. Furthermore, accurate bank reconciliations must be performed on a monthly basis and transactions should be record correct accounting period.

CAUSE OF CONDITION: The District did not perform steps to ensure their beginning QuickBooks balances agreed to the final audited balances as of June 30, 2017. Additionally, the District failed to record a material transaction in the proper accounting period.

EFFECT OF CONDITION: The District was not able to provide accurate financial information.

RECOMMENDATION: The District should implement policies and procedures to ensure accounts are properly reconciled on a monthly basis. Management and the Board should monitor the monthly accounting close and reporting procedures on a regular basis. Additionally, the District should not rely on the annual audit to make adjustments to their trial balance.

RESPONSE: The District is currently in the process of implementing controls to ensure the warrant account is reviewed and reconciled on a monthly basis.