

**NORTHWEST ROGERS COUNTY  
FIRE PROTECTION DISTRICT**

ANNUAL FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, and the changes in its net position 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 September 5, 2019, 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.

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Claremore, OK  
September 5, 2019

NORTHWEST ROGERS COUNTY FIRE PROTECTION DISTRICT  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
 JUNE 30, 2019

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**Assets**

**Current Assets**

Cash and cash equivalents	\$ 237,095
<b>Total Current Assets</b>	<u>237,095</u>

**Noncurrent Assets:**

Restricted cash	<u>41,466</u>
Property and Equipment	
Land	45,646
Equipment	1,654,192
Buildings and improvements	591,505
Accumulated depreciation	<u>(1,688,891)</u>
<b>Property and Equipment, net</b>	<u>602,452</u>
Total Noncurrent Assets	<u>643,918</u>
<b>Total Assets</b>	<u><u>\$ 881,013</u></u>

**Liabilities and Net Position**

**Current Liabilities**

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

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

Net investment in capital assets	602,452
Restricted	41,466
Unrestricted	<u>(14,305)</u>

<b>Total Net Position</b>	<u>629,613</u>
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<b>Total Liabilities and Net Position</b>	<u><u>\$ 881,013</u></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, 2019

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<b>Operating Revenues</b>	
Ad Valorem taxes	\$ 2,206,258
Donations	3,660
Other revenues	1,347
<b>Total Support and Revenue</b>	<u>2,211,265</u>
<b>Operating Expenses</b>	
Salaries and wages	984,143
Payroll taxes	18,653
Pension and retirement	155,348
Health and life insurance	220,268
Depreciation	57,453
Rent - Temporary office	40,275
Workers comp insurance	75,692
Insurance	45,881
Maintenance and repairs	38,086
Dues and licenses	2,165
Utilities and telephone	39,462
Legal and professional fees	31,075
Office expense	3,652
Computer programs	4,446
Operating supplies	8,699
Equipment rental and leasing	252,465
Gas, fuel and oil	26,391
Uniforms	5,953
Travel and meals	1,607
Miscellaneous	17,680
<b>Total Operating Expenses</b>	<u>2,029,394</u>
<b>Operating Income (Loss)</b>	<u>181,871</u>
<b>Non-Operating Revenue (Expense)</b>	
Interest expense	(13,144)
Insurance proceeds	35,230
Gain (loss) on disposal of equipment	59,424
Miscellaneous non-operating expenses	(1,908)
Grant income	9,300
Interest Income	1,640
<b>Total Non-Operating Revenue</b>	<u>90,542</u>
<b>Increase (Decrease) in Net Assets</b>	\$ 272,413
<b>Net Position</b> , beginning of year	<u>357,200</u>
<b>Net Position</b> , end of year	<u>\$ 629,613</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, 2019

<b>Cash Flows From Operating Activities</b>	
Cash received from taxes and contributions	\$ 2,211,265
Cash paid for employee expenses	(1,454,104)
Cash paid to suppliers	<u>(517,837)</u>
Net Cash Provided By (Used In) Operating Activities	<u>239,324</u>
<b>Cash Flows from Non-Capital and Related Financing Activities</b>	
Grant proceeds	<u>9,300</u>
Net Cash Provided By (Used In) Capital Financing Activities	<u>9,300</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from sale of equipment	59,424
Purchases of property and equipment	(248,065)
Cash paid for interest	<u>(13,144)</u>
Net Cash Provided By (Used In) Capital Financing Activities	<u>(201,785)</u>
<b>Cash Flows From Investing Activities</b>	
Proceeds from investments	1,640
Proceeds from insurance	<u>35,230</u>
Net Cash Used In Investing Activities	<u>34,962</u>
<b>Net Increase (Decrease) In Cash</b>	81,801
<b>Cash And Cash Equivalents, Beginning Of Year</b>	<u>196,760</u>
<b>Cash And Cash Equivalents, End Of Year</b>	<u><u>\$ 278,561</u></u>
<b>Reconciliation Of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:</b>	
Operating Income	\$ 181,871
<b>Adjustments To Reconcile Change In Net Assets To Net Cash Used Operating Activities:</b>	
Depreciation Expense	<u>57,453</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 239,324</u></u>

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 – These financial statements present the activities of the District and includes all component units of which the District appointed a voting majority of the units’ board and the District is either able to impose its will on the unit or a financial benefit or burden relationship exists.

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.

Restricted Cash – The District carries a self-insurance policy for healthcare purposes. Restricted cash consists of amounts held in reserve in the event a claim exceeds the District’s self-insurance policy amounts.

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, 2019

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, 2019, 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			Balance
	July 1, 2018	Additions	Disposals	June 30, 2019
Land	\$ 45,646	-	-	\$ 45,646
Equipment	2,492,858	35,761	(874,427)	1,654,192
Buildings and improvements	379,201	212,304	-	591,505
Accumulated depreciation	(2,505,865)	(57,453)	874,427	(1,688,891)
<b>Property and Equipment, net</b>	<b>\$ 411,840</b>	<b>190,612</b>	<b>-</b>	<b>\$ 602,452</b>

**Note 5 – Long-Term Debt**

As of June 30, 2019, the District had no long-term debt.

**Note 6 – Operating Lease**

In June 2019, 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, 2019, the District contributed a total of \$155,348 to the OFPRS.

**Note 10 – 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.

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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, 2019, 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 September 5, 2019.

**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 opinions on the 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 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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item (2019-01)

**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.

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

Claremore, OK  
September 5, 2019

**NORTHEAST ROGERS FIRE PROTECTION DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2019

**2019-01 – Deficit Fund Balance**

CONDITION: At June 30, 2019, the District had a deficit unrestricted fund balance in the amount of \$14,305.

CRITERIA: Oklahoma state statutes prohibit a governmental entity from carrying a deficit in any government fund.

CAUSE OF CONDITION: The District's liabilities due to a lease payable exceeds its current operating cash.

EFFECT OF CONDITION: The District is not in compliance with Oklahoma State Statutes.

RECOMMENDATION: The District should implement policies and procedures to ensure deficit funding conditions due not occur. This includes not obtaining any in-debtness that exceeds current operating cash amounts.

RESPONSE: The District is currently in the process of finding sources of additional revenues and reducing annual operating expenses.