

**RURAL FIRE PROTECTION DISTRICT
NO. 1 OF SEQUOYAH COUNTY
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2017**



RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY
JUNE 30, 2017

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Independent Auditors' Report

To the Board of Directors
Rural Fire Protection District No. 1 of Sequoyah County, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Rural Fire Protection District No. 1 of Sequoyah County, Oklahoma (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District'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 accounting principles generally accepted in the United States of America; this includes 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 opinions 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Rural Fire Protection District No. 1 of Sequoyah County, Oklahoma as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. 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 statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.


Other Information

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the financial statements. This supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting information and has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017, on our consideration of the Rural Fire Protection District No. 1 of Sequoyah County, Oklahoma 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 the Rural Fire Protection District No. 1 of Sequoyah County, Oklahoma's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Przybysz & Associates". The signature is written in a cursive, flowing style.

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
October 26, 2017

FINANCIAL STATEMENTS

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

AS OF JUNE 30, 2017

	General	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 163,747	\$ -	\$ 163,747
Accounts receivable	693	-	693
Intergovernmental receivable	115,087	-	115,087
Prepaid insurance	225	-	225
Capital assets, net of accumulated depreciation	-	163,708	163,708
Total Assets	279,752	163,708	443,460
Liabilities			
Accounts payable	615	-	615
Total Liabilities	615	-	615
Fund Balances/Net Position			
Fund balances:			
Unreserved			
Undesignated	279,137	(279,137)	-
Total fund balances	279,137	(279,137)	-
Total Liabilities and Fund Balances	\$ 279,752		
Net position:			
Net investment in capital assets		163,708	163,708
Unrestricted		279,137	279,137
Total Net Position		\$ 442,845	\$ 442,845

See accompanying notes to financial statements.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITY

AS OF JUNE 30, 2017

Total Governmental Fund Balances \$ 279,137

**Amounts reported in governmental activities in the statement of
net assets are different because:**

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds, net of
accumulated depreciation

163,708

Net Position of Governmental Activities \$ 442,845

See accompanying notes to financial statements.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2017

	General	Adjustments	Statement of Net Assets
General Revenues			
Tax assessments	\$ 49,567	\$ -	\$ 49,567
Sales tax revenues	28,783	-	28,783
Donations	7,000	-	7,000
Total General Revenues	85,350	-	85,350
Expenditures/Expenses			
Repairs and maintenance	40,153	-	40,153
Advertising	394	-	394
Membership dues	116	-	116
Fundraising expense	160	-	160
Operations and maintenance	7,076	-	7,076
Utilities	4,537	-	4,537
Insurance	10,680	-	10,680
Telephone	763	-	763
Supplies	968	-	968
Professional fees	3,850	-	3,850
Employee benefits	1,200	-	1,200
Capital outlays	58,590	(58,590)	-
Depreciation	-	30,360	30,360
Total Expenditures/Expenses	128,487	(28,230)	100,257
Change in Fund Balance/Net Position	(43,137)	28,230	(14,907)
Fund Balance/Net Position Beginning of Year	322,274	135,478	457,752
Fund Balance/Net Position End of Year	\$ 279,137	\$ 163,708	\$ 442,845

See accompanying notes to financial statements.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

RECONCILIATION OF THE REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Net Change in Governmental Fund Balances \$ (43,137)

**Amounts reported for the governmental activities in the statement of
activities are different because:**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

28,230

Change in Net Position of Governmental Activities \$ (14,907)

See accompanying notes to financial statements.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. Summary of Significant Accounting Policies

a. Organization

Rural Fire Protection District No. 1 of Sequoyah County (the District) was organized to provide fire protection to residents in the rural areas of Sequoyah County, Oklahoma less and except the incorporated areas of any cities or towns and all properties owned by the United States of America and the State of Oklahoma and its political subdivisions.

b. Financial Reporting Entity - Basis of Presentation

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the District are discussed below.

The financial statements include:

Financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure.

c. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as governmental. Governmental activities are normally supported by taxes and intergovernmental revenues.

Government-wide financial statements report information about the reporting government as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Currently, the District has only a governmental fund.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. Summary of Significant Accounting Policies (continued)

d. Measurement Focus, Basis of Accounting, and Financial Statement

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Organization considers revenues to be available if they are collected within 60 days after the year end. Expenditures are recorded when the related fund liability is incurred.

Taxes and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports one major governmental fund. The general fund of the District is the District's primary operating fund. It accounts for all financial resources of the government.

e. Assets, Liabilities, and Net Assets or Equity

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximate fair value because of the short maturity of these investments.

Assessments Receivable

Assessments receivable represents amounts that are currently due and available for use by the District.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materiality extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

	<u>YEARS</u>
Land	N/A
Fire stations	40
Equipment	10

f. Income Taxes

The District is exempt from income taxes as a governmental agency.

2. Cash Deposits

At June 30, 2017, the District had deposits in two area banks which were FDIC insured.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

3. Assessment Revenue

The District's ad valorem property tax is levied each June 1 on the assessed value listed as of the prior January 1 for all personal property, real estate, and public service property. Taxes are due on December 31 following the levy date. Tax assessment revenue and receivables reflect the amounts actually received from the County during the current fiscal year.

4. Inter-Governmental Receivables

Inter-governmental receivables consists solely of \$115,087 maintained in an escrow account by Sequoyah County.

5. Property, Plant, and Equipment

Activity of property, plant and equipment consists of the following:

As of	July 1, 2016	Additions & Contributions	Retirements	June 30, 2017
Capital assets, not being depreciated				
Land	\$ 11,743	\$ -	\$ -	\$ 11,743
Total capital assets, not being depreciated	11,743	-	-	11,743
Capital assets, being depreciated				
Fire Station #1	39,289	-	-	39,289
Fire Station #2	18,030	-	-	18,030
Fire Station #3	26,440	-	-	26,440
Fire Station #4	17,438	-	-	17,438
Equipment	483,324	58,590	-	541,914
Total capital assets being depreciated	584,521	58,590	-	643,111
Less accumulated depreciation	460,786	30,360	-	491,146
Capital assets, net	\$ 135,478	\$ 28,230	\$ -	\$ 163,708

6. Risk Management

The District is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for building and contents, workers compensation, and automobiles.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

7. Subsequent Events

The District has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2017 through October 26, 2017, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

STATEMENT OF REVENUES AND EXPENSES - BUDGET TO ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
General Revenues			
Tax assessments	\$ 50,000	\$ 49,567	\$ (433)
Sales tax revenues	-	28,783	28,783
Grants	-	-	-
Donations	-	7,000	7,000
Interest income	-	-	-
Total General Revenues	50,000	85,350	35,350
Expenditures/Expenses			
Repairs and maintenance	15,000	40,153	(25,153)
Operations and maintenance	27,675	29,744	(2,069)
Capital outlays	7,325	58,590	(51,265)
Total Expenditures/Expenses	50,000	128,487	(78,487)
Revenues Over Expenses	\$ -	\$ (43,137)	\$ (43,137)

See independent auditor's report.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

RECONCILIATION OF THE APPROPRIATION LEDGER MAINTAINED BY THE SEQUOYAH COUNTY CLERK

FOR THE YEAR ENDED JUNE 30, 2017

Beginning Balance		\$ 151,278.32
Appropriations		
July appropriation	\$ 2,270.35	
August appropriation	2,436.79	
September appropriation	2,590.25	
October appropriation	2,553.34	
November appropriation	2,511.31	
December appropriation	2,421.77	
January appropriation	2,335.43	
February appropriation	2,368.65	
March appropriation	2,388.39	
April appropriation	2,195.26	
May appropriation	2,345.87	
June appropriation	<u>2,365.39</u>	
Total Appropriations		28,782.80
Warrants		
000035	9/19/2016 CIPHER I BOAT CENTER INC	\$ 531.34
000055	10/24/2016 SALLISAV OVERHEAD DOOR	480.00
000079	11/28/2016 NAFECONC	14,700.00
000080	11/28/2016 NAFECONC	1,420.00
000081	11/28/2016 NAFECONC	2,376.00
000102	1/3/2017 TBS ELECTRONICS INC	4,928.00
000103	1/3/2017 OKDEPTJF AGRICULTURE	10,900.00
000113	1/30/2017 NAFECONC	9,957.00
000156	3/20/2017 GORE BAIT & TACKLE	280.00
000162	3/27/2017 PATE INDUSTRIAL INC	313.50
000166	4/3/2017 NAFECOINC	5,490.00
000168	4/3/2017 BOB FRANKLIN, DBA FIRE AP	1,910.00
000169	4/10/2017 GORE BAIT & TACKLE	217.88
000170	4/10/2017 GORE BAIT & TACKLE	522.94
000228	6/26/2017 NAFECOINC	5,799.71
	** PY AJE #3 REVERSAL	5,147.97
Total Warrants		<u>64,974.34</u>
Ending Balance		<u>\$ 115,086.78</u>

See independent auditor's report.

ADDITIONAL REPORT



**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 of Rural Fire Protection
District No. 1 of Sequoyah County, 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 financial statements of the Rural Fire Protection District No. 1 of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 26, 2017, which was modified to reflect the omission of the management's discussion and analysis.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency as item 2017-001.

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 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 that are required to be reported under *Government Auditing Standards*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
October 26, 2017

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2017

Findings - Financial Statement Audit - Current Year

2017-001 Internal Controls Over Financial Statement Preparation

Condition:

The District does not have sufficient internal controls over the preparation and review of the Generally Accepted Accounting Principles (GAAP) based financial statements and footnote disclosures. Management may fail to prevent or detect financial statement and footnote disclosure errors.

Criteria:

The District is required to maintain systems of controls and have trained personnel with the knowledge and expertise concerning Governmental Accounting Standards Board (GASB) pronouncements to prepare and/or review GAAP based financial statements and footnote disclosures.

Cause and Effect:

The District does not maintain systems of controls over the preparation of financial statements and footnote disclosures in accordance with GAAP. Management may fail to prevent or detect financial statement and footnote disclosure errors.

Recommendation:

The District should implement systems of internal controls, to the extent possible, regarding the preparation and/or review of GAAP based financial statements and footnote disclosures by trained personnel with knowledge of GASB pronouncements which ensures the statements and disclosures are free from errors.

Responsible Official's Comments and Plan of Action

Management will monitor the systems of internal controls relating to the preparation of the GAAP based financial statements and footnote disclosures and implement the corrective procedures to the extent possible.