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**THE DEER CREEK FIRE PROTECTION DISTRICT**

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**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2012**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Deer Creek Fire Protection District  
Edmond, Oklahoma

We have audited the accompanying financial statements of the governmental activities and governmental fund of the Deer Creek Fire Protection District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Deer Creek Fire Protection District. Our responsibility is to express an opinion on these financial statements based on our audit.

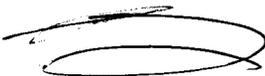
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and the governmental fund of the Deer Creek Fire Protection District as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2012, on our consideration of the internal control over financial reporting of the Deer Creek Fire Protection District, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 15 be presented to supplement the basic financial statements. Such information, although not 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

 , C.P.A., Inc.

Becky Fleming, C.P.A., Inc.  
October 3, 2012

**THE DEER CREEK FIRE PROTECTION DISTRICT  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012**

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Current Assets	
Cash and demand deposits	524,077
Prepaid insurance	22,709
Revenue receivable, net of \$11,612 allowance	34,837
Other receivables	3,243
Total current assets	<u>584,866</u>
Noncurrent Assets	
Land	12,000
Construction in progress	12,309
Depreciable property and equipment	1,936,151
Accumulated depreciation	<u>(765,636)</u>
Total noncurrent assets	<u>1,194,824</u>
<b>TOTAL ASSETS</b>	<u>1,779,690</u>
 <b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	5,728
Accrued payroll taxes	1,604
Current portion of capital leases	34,056
Accrued interest	4,949
Total current liabilities	<u>46,337</u>
Noncurrent liabilities	
Capital leases, less current portion	<u>218,224</u>
<b>TOTAL LIABILITIES</b>	<u>264,561</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	942,544
Unrestricted	572,585
<b>TOTAL NET ASSETS</b>	<u><u>1,515,129</u></u>

The accompanying notes are an integral part of these financial statements

**THE DEER CREEK FIRE PROTECTION DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

Governmental Activities		Program Revenues			Net (Expenses) and Changes in Net Assets Governmental Activities
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Fire department	(341,662)	0	8,912	0	(332,750)
* Expenses include interest of \$12,290					
General revenues:					
Property taxes					481,858
Investment income					4,233
Other income					446
Total general revenues					486,537
Change in net assets					153,787
Beginning net assets					1,361,342
Ending net assets					1,515,129

The accompanying notes are an integral part of these financial statements

**THE DEER CREEK FIRE PROTECTION DISTRICT  
BALANCE SHEET - GENERAL FUND  
AS OF JUNE 30, 2012**

	<u>GENERAL FUND</u>
<b>ASSETS</b>	
Cash	524,077
Prepaid insurance	22,709
Taxes receivable	2,785
Other receivables	3,243
<b>TOTAL ASSETS</b>	<u>552,814</u>
<b>LIABILITIES</b>	
Accounts payable	5,728
Accrued payroll taxes	1,604
<b>TOTAL LIABILITIES</b>	<u>7,332</u>
<b>FUND BALANCE</b>	
Nonspendable	22,709
Unrestricted - unassigned	522,773
<b>TOTAL FUND BALANCE</b>	<u>545,482</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>552,814</u>
Amounts reported in the Statement of Net Assets are different because:	545,482
Taxes receivable	32,052
Capital assets	1,194,824
Capital leases payable	(257,229)
<b>Net assets of governmental activities</b>	<u>1,515,129</u>

The accompanying notes are an integral part of these financial statements

**THE DEER CREEK FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN GENERAL FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>GENERAL FUND</u>
<b>REVENUES</b>	
Property taxes	449,806
Other revenues	4,124
Interest	4,233
Grants	5,234
<b>TOTAL REVENUES</b>	<u>463,397</u>
<b>EXPENDITURES</b>	
Personal services	70,561
Materials and supplies	69,987
Other services and charges	58,034
Debt service	45,409
<b>TOTAL EXPENDITURES</b>	<u>243,991</u>
<b>REVENUES OVER EXPENDITURES</b>	219,406
<b>BEGINNING FUND BALANCE</b>	326,076
<b>ENDING FUND BALANCE</b>	<u><u>545,482</u></u>
<b>Reconciliation of the change in fund balance to the change in net assets:</b>	
Property taxes	219,406
Depreciation expense	32,052
Change in accrued interest expense	(130,790)
Principal payments	(3,630)
	36,749
<b>Change in Net Assets of Governmental Activities</b>	<u><u>153,787</u></u>

The accompanying notes are an integral part of these financial statements

**The Deer Creek Fire Protection District  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2012**

**1. Summary of Significant Accounting Policies**

**1A. Financial Reporting Entity**

The Deer Creek Fire Protection District (the District) is organized under Title 19, Oklahoma Statutes, sections 901 et seq. The District provides fire protection services for residents of the District. As required by generally accepted accounting principles, the financial statements of the reporting entity include all of the funds relevant to the operations of the District. The District has no component units as defined by generally accepted accounting principles.

**1B. Basis of Presentation**

**1B1. Fund Accounting**

The District maintains only one fund to account for its financial activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on a specific activity or attaining certain objectives in accordance with special regulations, restrictions or limitations. The fund maintained by the District is a governmental fund.

**1B2. Basis of Accounting and Measurement Focus**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Measurement focus is a term used to describe which transactions are recorded. In regard to the use of restricted resources, the District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**1B3. Government-wide Financial Statements**

The government-wide financial statements are highly aggregated financial statements that present financial information for all assets, liabilities, and net assets using the economic resources measurement focus and the accrual basis of accounting. This means that revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Program revenues include charges to customers or those who directly benefit from program services and operating or capital grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other revenues not properly included as program revenues are general revenues. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

**The Deer Creek Fire Protection District  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2012**

The government-wide financial statements required are the statement of net assets and the statement of activities. These financial statements are designed to help users assess the finances of a government in its entirety, including the year's operating results; determine whether the government's overall financial position improved or deteriorated; and evaluate whether the government's current-year revenues were sufficient to pay for current year services. They are also designed to help users assess the cost of providing services to its citizenry; determine how the government finances its programs; understand the extent to which the government has invested in capital assets; and make better comparisons between governments.

**1B4. Governmental Fund Financial Statements**

The governmental fund financial statements focus primarily on the sources, uses, and balances of current financial resources. They are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 30 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. The financial statements required for governmental funds are the balance sheet and the statement of revenues, expenditures, and changes in fund balance. The governmental fund balance sheet does not present capital assets or long-term liabilities. Instead, the statement of revenues, expenditures and changes in fund balance reports the financial resource inflows and outflows arising from the disposition and acquisition of capital assets, the issuance and repayment of long-term debt, and maturation of non-debt long-term liabilities. Capital assets and long-term liabilities associated with and generally arising from activities reported in governmental funds are reported only in the government-wide financial statements.

**1C. Deposits and Investments**

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

The District has not formally adopted deposit and investment policies that limit its allowable deposits or investments and address the specific types of risk to which the District is exposed.

At year end, District deposits were fully insured.

**The Deer Creek Fire Protection District  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2012**

**1D. Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**1E. Capital Assets**

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

In the fund financial statements, capital assets are expensed as capital outlay. In the government-wide financial statements, capital assets are capitalized and depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	10 to 20 years
Building equipment	5 to 10 years
Vehicles and fire equipment	5 to 15 years

**1F. Long-term Debt**

Long-term debt is not reported on the balance sheet in the fund financial statements. Debt proceeds are reported as other financing sources while repayments of principle and interest are reported as debt service expenditures in the statement of revenues, expenditures, and changes in fund balance.

In the government-wide financial statements, long-term debt is recorded as a liability in the statement of net assets. Repayments of principal reduce the liability, while interest is expensed in the statement of activities.

**1G. Equity Classifications**

In the government-wide statements, equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Capital assets, net of accumulated depreciation, are reduced by the outstanding balances of any debt attributable to their acquisition, construction, or improvement.
2. Restricted net assets – Net assets that have had constraints placed upon them either by external sources such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.

**The Deer Creek Fire Protection District  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2012**

3. Unrestricted net assets – All other net assets that do not meet the definition of the previous two classifications.

Governmental fund equity is classified as fund balance, which is either nonspendable, restricted, or unrestricted. Nonspendable fund balance consists of resources that are either not in a spendable form, or are legally or contractually required to be maintained intact. Restricted fund balance consists of resources with spending restrictions that are externally imposed by creditors, grantors, or laws. Unrestricted fund balance is composed of 3 components as follows:

1. Committed – internally restricted by formal action of the board.
2. Assigned – constrained by the government's intent.
3. Unassigned – residual fund balance remaining after allocation to non-spendable, restricted, committed, or assigned.

**2. Property Tax Assessments**

The Deer Creek Fire Protection District assesses property owners the maximum limit of 7.3 mills. The annual assessments are levied by Oklahoma County on November 1 of each year, and are due one-half by December 31 and one-half by March 31. The assessments are collected by Oklahoma County and remitted to the District monthly. Major assessment payments are received in the months of December through April and are recorded as revenue when received. At year end, the District adjusts the government-wide statement revenues to the assessed value and the taxes receivable to the estimated balance due based on historical collection rates. In the fund statements, revenues and taxes receivable are adjusted for the amount collected in July of the subsequent fiscal year.

**3. Capital Leases**

January 23, 2010, the District entered into a 10-year lease-purchase agreement for a fire truck costing \$359,261. The District financed the total purchase price at an interest rate of 4.5%. The lease requires annual payments and contains a clause that releases the District from the lease if funds are not available to be appropriated for the lease.

Interest Rate	Maturity Date	Amount Issued	Outstanding	Interest Expense	Due in One Year	Security
4.503%	01/22/19	359,261	252,280	12,290	34,056	fire truck
Leases outstanding 06/30/11			289,029			
New leases			0			
Retirements			(36,749)			
Leases outstanding 06/30/12			<u>252,280</u>			

**The Deer Creek Fire Protection District  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2012**

Principal and interest payments for the term of the lease are as follows:

	Principal	Interest	Total	Termination Value
2013	34,056	11,353	45,409	
2014	35,589	9,820	45,409	
2015	37,192	8,217	45,409	
2016	38,866	6,543	45,409	
2017	40,616	4,793	45,409	
2018-2019	65,961	4,017	69,978	1
	<u>252,280</u>	<u>44,742</u>	<u>297,023</u>	<u>1</u>

**5. Capital Assets**

Capital asset activity for the year ended June 30, 2012, is summarized as follows:

	Beginning		Ending		Accumulated Depreciation			Ending Balance	Net Value
	Balance	Add	Delete	Balance	Balance	Add	Delete		
Assets not depreciated									
Land	12,000	0	0	12,000	0	0	0	0	12,000
Construction in progress	12,309	0	0	12,309	0	0	0	0	12,309
Total not depreciated	<u>24,309</u>	<u>0</u>	<u>0</u>	<u>24,309</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24,309</u>
Depreciable assets									
Buildings	387,191	0	0	387,191	183,468	20,565	0	204,033	183,158
Vehicles	839,569	0	0	839,569	337,177	58,437	0	395,614	443,955
Equipment	293,603	0	0	293,603	87,961	22,614	0	110,575	183,028
Building equipment	44,910	0	0	44,910	13,878	4,449	0	18,327	26,583
Leased vehicles	370,879	0	0	370,879	12,363	24,725	0	37,088	333,791
Total other assets	<u>1,936,152</u>	<u>0</u>	<u>0</u>	<u>1,936,152</u>	<u>634,847</u>	<u>130,790</u>	<u>0</u>	<u>765,637</u>	<u>1,170,515</u>
Total Assets	<u>1,960,461</u>	<u>0</u>	<u>0</u>	<u>1,960,461</u>	<u>634,847</u>	<u>130,790</u>	<u>0</u>	<u>765,637</u>	<u>1,194,824</u>

**7. Defined Benefit Pension Plans**

Plan Description. The District contributes to the Oklahoma Firefighters Pension and Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their

**The Deer Creek Fire Protection District  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2012**

offices at 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105. Trend information showing the progress of the system in accumulating sufficient assets to pay benefits when due is presented in the annual financial report.

Funding Policy. Volunteer firefighters are not required to contribute, but the District is required to contribute \$60 per volunteer per year. Participating paid firefighters contribute 8% of applicable earnings, while the District contributes 13% of the member's applicable earnings. The contribution requirements of the System are rates determined by Oklahoma Statutes and are not based on actuarial calculations. The District's contributions to the System, equal to 100% of the required annual contributions, were as follows:

	ER Volunteer	ER Paid	EE Paid
2012	1,080	3,909	2,406
2011	1,080	4,033	2,482
2010	1,140	4,784	2,944

**8. 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 District manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and 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. The District did not record any claims activity for the year just ended.

**9. Subsequent Events**

Management performed an evaluation of the District's activity through October 3, 2012, the date the audit was available to be released, and has concluded that there are no significant subsequent events requiring disclosure through that date.

**BECKY FLEMING, C.P.A., INC.**

**7920 108<sup>th</sup> Ave NE  
Norman, OK 73026**

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**INDEPENDENT AUDITOR'S REPORT ON THE 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**

The Board of Directors  
The Deer Creek Fire Protection District

We have audited the financial statements of the governmental activities and governmental fund of the Deer Creek Fire Protection District as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements of the Deer Creek Fire Protection District, and have issued our report thereon, dated October 3, 2012. 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.

**Internal Control Over Financial Reporting**

Management of the Deer Creek Fire Protection District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the internal control over financial reporting of the Deer Creek Fire Protection District as a basis for designing our auditing procedures 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 Deer Creek Fire Protection District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Deer Creek Fire Protection District's internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in

internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. 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. We consider the following deficiency in the Town's internal control to be a significant deficiency:

2012-1      Since the District's treasurer provides all financial accounting and reporting functions, there is no segregation of duties related to maintaining the general ledger, performing reconciliations, or signing checks, and no compensating procedures to provide for oversight or review of those functions. We recommend that the District find ways for the board members to provide oversight of these functions, such as receiving unopened bank statements for review; signing off on bank reconciliations, and requiring dual signatures on checks.

Response    Since we are such a small District, we do not have a way of segregating duties. However, we will try to find ways to establish better oversight procedures.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Deer Creek Fire Protection District 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 or other matters that are required to be reported under *Government Auditing Standards*.

The Deer Creek Fire Protection District's response to the findings identified in our audit is described above. We did not audit the Deer Creek Fire Protection District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and others within the organization and is not intended to be and should be used by anyone other than these specified parties.

 C.P.A., Inc.

Becky Fleming, C.P.A., Inc.  
October 3, 2012

**THE DEER CREEK FIRE PROTECTION DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL BUDGET BASIS	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>				
Ad valorem taxes	445,000	445,000	449,806	4,806
Other revenues	1,950	1,950	4,124	2,174
Interest	350	350	4,233	3,883
Grants	5,100	5,100	5,234	134
<b>TOTAL REVENUES</b>	<b>452,400</b>	<b>452,400</b>	<b>463,397</b>	<b>10,997</b>
<b>EXPENDITURES</b>				
Personal services	80,700	80,700	70,561	10,139
Materials and supplies	80,500	80,500	69,987	10,513
Other services and charges	65,200	65,200	58,034	7,166
Capital outlay	130,000	130,000	0	130,000
Debt service	45,000	45,000	45,409	(409)
<b>TOTAL EXPENDITURES</b>	<b>401,400</b>	<b>401,400</b>	<b>243,991</b>	<b>157,409</b>
<b>REVENUES (UNDER) EXPENDITURES</b>	<b>51,000</b>	<b>51,000</b>	<b>219,406</b>	<b>168,406</b>
<b>BEGINNING FUND BALANCE</b>	<b>314,641</b>	<b>314,641</b>	<b>314,641</b>	<b>0</b>
<b>ENDING FUND BALANCE</b>	<b>365,641</b>	<b>365,641</b>	<b>534,047</b>	<b>168,406</b>

Notes to the budgetary comparison schedule:

The board adopts a legally required annual operating budget each year. The modified accrual basis of accounting used for fund financial reporting is used for budgetary purposes. Expenditures are presented at the legal level of compliance. Title 19 prohibits authorized or actual expenditures from exceeding the budgeted appropriations as adopted or amended; prohibits a negative fund balance; and prohibits authorized or actual expenditures or encumbrances in excess of 90% of the appropriation of any fund until revenues of at least 90% of the appropriation have been collected. Budget amendments are approved by the board as required.