
THE DEER CREEK FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

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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, 2014, 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 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.

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 governmental fund of the Deer Creek Fire Protection District, as of June 30, 2014, 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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 16 be presented to supplement the basic financial statements. Such 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. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014, 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* in considering the Deer Creek Fire Protection District's internal control over financial reporting and compliance.

 , C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
November 5, 2014

**THE DEER CREEK FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014**

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Current Assets	
Cash and demand deposits	778,890
Prepaid insurance	28,227
Revenue receivable, net of \$6,710 allowance	20,130
Total current assets	<u>827,247</u>
Noncurrent Assets	
Land	58,046
Construction in progress	7,532
Depreciable property and equipment	2,201,951
Accumulated depreciation	<u>(1,042,759)</u>
Total noncurrent assets	<u>1,224,770</u>
TOTAL ASSETS	<u>2,052,017</u>
LIABILITIES	
Current Liabilities	
Accounts payable	18,994
Accrued payroll taxes	1,806
Current portion of capital leases	37,192
Accrued interest	3,582
Total current liabilities	<u>61,574</u>
Noncurrent liabilities	
Capital leases, less current portion	<u>145,444</u>
TOTAL LIABILITIES	<u>207,018</u>
NET POSITION	
Net investment in capital assets	1,042,134
Unrestricted	<u>802,865</u>
TOTAL NET POSITION	<u><u>1,844,999</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, 2014

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	(396,517)	0	13,839	0	(382,678)
<p>* Expenses include interest of \$9,122</p> <p>General revenues:</p> <p>Property taxes</p> <p>Investment income</p> <p>Other income</p> <p>Total general revenues</p> <p>Change in net assets</p> <p>Beginning net position</p> <p>Ending net position</p>					<p>521,417</p> <p>8,981</p> <p>12,940</p> <p>543,338</p> <p>160,660</p> <p>1,684,339</p> <p>1,844,999</p>

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, 2014**

	<u>GENERAL FUND</u>
ASSETS	
Cash	778,890
Prepaid insurance	28,227
Taxes receivable	2,483
TOTAL ASSETS	<u>809,600</u>
LIABILITIES	
Accounts payable	18,994
Accrued payroll taxes	1,806
TOTAL LIABILITIES	<u>20,800</u>
FUND BALANCE	
Nonspendable	28,227
Unrestricted - unassigned	760,573
TOTAL FUND BALANCE	<u>788,800</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>809,600</u>

Amounts reported in the Statement of Net Position are different because:	788,800
Taxes receivable	17,646
Capital assets	1,224,770
Capital leases payable	<u>(186,218)</u>
Net position of governmental activities	<u>1,844,998</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, 2014**

	<u>GENERAL FUND</u>
REVENUES	
Property taxes	536,605
Other revenues	14,974
Interest	8,981
Grants	<u>11,805</u>
TOTAL REVENUES	572,365
EXPENDITURES	
Personal services	79,712
Materials and supplies	94,999
Other services and charges	65,745
Capital outlay	87,319
Debt service	<u>45,409</u>
TOTAL EXPENDITURES	373,184
REVENUES OVER EXPENDITURES	199,181
BEGINNING FUND BALANCE	<u>589,619</u>
ENDING FUND BALANCE	<u><u>788,800</u></u>
Reconciliation of the change in fund balance	
to the change in net position:	199,181
Property taxes	(13,792)
Capital assets purchased	87,319
Depreciation expense	(146,939)
Accrued interest expense	(698)
Principal payments	<u>35,589</u>
Change in Net Position of Governmental Activities	<u><u>160,660</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, 2014**

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, deferred outflows, liabilities, deferred inflows, and net position 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, 2014

The government-wide financial statements required are the statement of net position 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, 2014

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 position and displayed in three components:

1. Net capital assets – 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 position – Net position that has 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, 2014

3. Unrestricted net position – All other net position that does 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 at the rate 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 Assets

					Accumulated Depreciation				Net Value
	Beginning Balance	Add	Delete	Ending Balance	Beginning Balance	Add	Delete	Ending Balance	
Assets not depreciated									
Land	12,000	46,046	0	58,046	0	0	0	0	58,046
Construction in progress	2,382	5,150	0	7,532	0	0	0	0	7,532
Total not depreciated	14,382	51,196	0	65,578	0	0	0	0	65,578
Depreciable assets									
Buildings and equipment	632,025	4,509	0	636,534	252,229	35,702	0	287,931	348,603
Vehicles and equipment	1,162,925	31,613	0	1,194,538	581,779	86,511	0	668,290	526,248
Leased vehicles	370,879	0	0	370,879	61,813	24,725	0	86,538	284,341
Total other assets	2,165,829	36,122	0	2,201,951	895,821	146,938	0	1,042,759	1,159,192
Total Assets	2,180,211	87,318	0	2,267,529	895,821	146,938	0	1,042,759	1,224,770

The Deer Creek Fire Protection District
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

4. Capital Leases

Leases outstanding 06/30/13	218,224
New leases	0
Retirements	<u>(35,589)</u>
Leases outstanding 06/30/14	<u>182,635</u>

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	182,635	9,122	37,192	fire truck

Capital asset activity for the year ended June 30, 2014, is summarized as follows:

	Principal	Interest	Total	Termination Value
2015	37,192	8,217	45,409	
2016	38,866	6,543	45,409	
2017	40,616	4,793	45,409	
2018	42,445	2,964	45,409	
2019	23,516	1,053	24,569	1
	<u>182,635</u>	<u>23,570</u>	<u>206,205</u>	<u>1</u>

5. 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 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 System's annual financial report.

The Deer Creek Fire Protection District
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

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
2014	1,500	6,351	4,025
2013	1,920	5,130	3,157
2012	1,080	3,909	2,406

6. 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 made claims for \$68,533 during the year for storm damage to the station's roof and to replace a radio.

7. Subsequent Events

Management performed an evaluation of the District's activity through November 5, 2014, the date the audit was available to be released, and has concluded that there are no significant subsequent events requiring disclosure through that date.

8. Construction Commitments

In July of 2014, the District entered into a construction contract for \$697,731 for a second fire station.

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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
Edmond, 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 governmental activities and governmental fund of the Deer Creek Fire Protection District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Deer Creek Fire Protection District's basic financial statements, and have issued our report thereon dated November 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Deer Creek 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 Deer Creek Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Deer Creek Fire Protection 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. 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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described below.

2014-1: 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.

2014-2: The District does not have sufficient internal control over budgeting to insure that all expenditures are included in its budget. As a result, the omitted expenditures could cause the District to exceed its budget. We recommend that procedures be established to insure that all expenditures are included in the District's budget.

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 Findings

The Deer Creek Fire Protection District's response to the findings identified in our audit is described below. The Deer Creek Fire Protection District'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.

2014-1 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.

2014-2 response: We will establish procedures to make sure all expenditures are included in our budget.

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 result 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.

 , C.P.A., Inc.

Becky Fleming, C.P.A., Inc.

November 5, 2014

**THE DEER CREEK FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL BUDGET BASIS	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Ad valorem taxes	510,000	510,000	536,605	26,605
Other revenues	1,400	1,400	14,974	13,574
Interest	4,350	4,350	8,981	4,631
Grants	6,000	6,000	11,805	5,805
TOTAL REVENUES	521,750	521,750	572,365	50,615
EXPENDITURES				
Personal services	90,500	90,500	79,712	10,788
Materials and supplies	90,900	90,900	94,999	(4,099)
Other services and charges	73,850	73,850	65,745	8,105
Capital outlay	266,500	266,500	87,319	179,181
Debt service	0	0	45,409	(45,409)
TOTAL EXPENDITURES	521,750	521,750	373,184	148,566
REVENUES (UNDER) EXPENDITURES	0	0	199,181	199,181
BEGINNING FUND BALANCE	589,619	589,619	589,619	0
ENDING FUND BALANCE	589,619	589,619	788,800	199,181

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. The legal level of compliance for expenditures is at the department level. 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.