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**THE OAK CLIFF RURAL FIRE  
PROTECTION DISTRICT**

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**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 Oak Cliff Rural Fire Protection District  
Edmond, Oklahoma

We have audited the accompanying financial statements of the governmental activities and governmental fund of the Oak Cliff Rural 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 *Governmental 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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and governmental fund of the Oak Cliff Rural Fire Protection District, Oklahoma, 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 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2015, on our consideration of the internal control over financial reporting of the Oak Cliff Rural 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 Oak Cliff Rural Fire Protection District's internal control over financial reporting and compliance.

 C.P.A., Inc.

Becky Fleming, C.P.A., Inc.  
March 7, 2015

**Oak Cliff Rural Fire Protection District**  
**Statement of Net Position**  
**As of June 30, 2014**

**ASSETS**

**Current Assets**

Cash and demand deposits	79,506
County sales tax fund	204,797
Certificates of deposit	407,920
Revenue receivable	59,502
Allowance for uncollectible taxes	(529)
Grants receivable	<u>403,200</u>
Total current assets	1,154,396

**Noncurrent Assets**

Depreciable property and equipment	3,639,717
Accumulated depreciation	<u>(1,453,219)</u>
Net depreciable assets	2,186,498
Non-depreciable capital assets	<u>91,514</u>
Total noncurrent assets	<u>2,278,012</u>

<b>TOTAL ASSETS</b>	<b>3,432,408</b>
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**LIABILITIES**

**Current Liabilities**

Accounts payable	14,453
Accrued payroll and related accruals	11,600
Grant refund payable	9,441
Current portion of capital leases	<u>89,545</u>
Total current liabilities	125,039

**Noncurrent liabilities**

Capital leases, less current portion	<u>467,068</u>
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<b>TOTAL LIABILITIES</b>	<b>592,107</b>
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**NET POSITION**

Net investment in capital assets	1,721,399
Unrestricted	<u>1,118,902</u>
<b>TOTAL NET POSITION</b>	<b><u>2,840,301</u></b>

The accompanying notes are an integral part of these financial statements

**Oak Cliff Rural Fire Protection District**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

Governmental Activities		Program Revenues			Net Revenues and
		Charges for	Operating	Capital	Changes in Net Position
Functions/Programs	Expenses	Services	Grants and Contributions	Grants and Contributions	Governmental Activities
Fire department *	(683,320)	0	127,842	403,200	(152,278)
General revenues:					
Property taxes					682,106
Miscellaneous revenues					23,448
Investment income					6,970
Total general revenues					712,524
Change in net assets					560,246
Beginning net position					2,280,055
Ending net position					2,840,301

\* Includes interest of \$31,611

The accompanying notes are an integral part of these financial statements

**Oak Cliff Rural Fire Protection District**  
**Governmental Fund**  
**Balance Sheet**  
**As of June 30, 2014**

**ASSETS**

Cash	79,506
Restricted cash	204,797
Certificates of deposit	407,920
Revenue receivable	59,502
Allowance for uncollectible taxes	(529)
Grants receivable	<u>403,200</u>
<b>TOTAL ASSETS</b>	<b><u>1,154,396</u></b>

**LIABILITIES**

Accounts payable	14,453
Accrued payroll and related accruals	11,600
Grant refund payable	<u>9,441</u>
<b>TOTAL LIABILITIES</b>	<b>35,494</b>

**FUND BALANCE**

Unrestricted:	
Unassigned	<u>1,118,902</u>
<b>TOTAL FUND BALANCE</b>	<b><u>1,118,902</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>1,154,396</u></b>

**Reconciliation to Statement of Net Position:**

Fund balance	1,118,902
Net capital assets	2,278,012
Leases payable	<u>(556,613)</u>
<b>Net position of governmental activities</b>	<b><u>2,840,301</u></b>

The accompanying notes are an integral part of these financial statements



**Oak Cliff Rural Fire Protection District**  
**Governmental Fund**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance**  
**For the Year Ended June 30, 2014**

REVENUES	
Property taxes	682,106
Logan county sales taxes	123,368
Other revenues	23,448
Interest	6,970
Grants	407,674
TOTAL REVENUES	<u>1,243,566</u>
EXPENDITURES	
Personal services	231,682
Materials and supplies	149,290
Other services and charges	108,358
Capital outlay	518,930
Debt service	668,456
TOTAL EXPENDITURES	<u>1,676,716</u>
REVENUES (UNDER) EXPENDITURES	(433,150)
OTHER FINANCING SOURCES (USES)	
Capital lease proceeds	<u>569,713</u>
NET CHANGE IN FUND BALANCE	136,563
BEGINNING FUND BALANCE	<u>982,339</u>
ENDING FUND BALANCE	<u><u>1,118,902</u></u>
Reconciliation of the change in fund balance to the change	
in net position:	136,563
Capital asset purchases capitalized	518,930
Depreciation expense	(162,379)
Capital lease proceeds	(569,713)
Principal payments	636,845
Change in Net Position of Governmental Activities	<u><u>560,246</u></u>

The accompanying notes are an integral part of these financial statements

**The Oak Cliff Rural 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 Oak Cliff Rural 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 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

**The Oak Cliff Rural Fire Protection District  
Notes to the Basic Financial Statements  
As of and for the Year Ended June 30, 2014**

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. Cash and Cash Equivalents**

The District has defined cash and cash equivalents to be cash on hand, demand deposits, cash with fiscal agents, and short-term investments with original maturities of three months or less from the date of acquisition.

**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**

Prior to 1992, capital assets were not being capitalized. During 1992, an inventory of capital assets was taken and any asset for which cost could not be determined was valued at fair market value. Since then, 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 is expensed as incurred.

**The Oak Cliff Rural Fire Protection District**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2014**

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	5 to 30 years
Office equipment	3 to 7 years
Firefighting equipment	8 to 15 years
Vehicles	5 to 30 years

**1F. Compensated Absences**

Employees are entitled to certain compensated absences based on their length of employment. Compensated absences do not vest or accumulate and are expensed as paid.

**1G. 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.

**1H. Equity Classifications**

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

1. Net investment in 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 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.
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 non-spendable, restricted, or unrestricted. Non-spendable 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

**The Oak Cliff Rural Fire Protection District**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2014**

balance consists of resources with spending restrictions that are externally imposed by creditors, grantors, or laws. Unrestricted fund balance is composed of three components as follows:

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

**2. Deposits and Certificates of Deposit**

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.

**Custodial Credit Risk**

Custodial credit risk related to deposits exists when the district holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the district's name; or collateralized without a written or approved collateral agreement. It is the policy of the governing body to require deposits in excess of FDIC limits to be collateralized as required by Oklahoma Statutes. At year end, the district had deposits of \$38,890 collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the district's name.

**3. Property Tax Assessments**

The Oak Cliff Rural Fire Protection District assesses property owners 7.22 mills. The annual assessments are levied by Logan 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 Logan 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 revenues and the receivable to amounts estimated to be collectible based on historical collection rates.

**4. County Sales Tax and Restricted Cash Account**

Logan County passed a ¼ cent sales tax for fire protection that is divided between all fire departments in the county. The county collects the sales tax for each department and expends the funds according to each department's specific requests. The balance in the District's account at June 30, 2014, was \$204,797. During the year just ended, the District authorized expenditures out of the account of \$34,484.

**The Oak Cliff Rural Fire Protection District**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2014**

**5. Capital Assets**

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

	Beginning			Ending	Accumulated Depreciation				Net
	Balance	Added	Deleted	Balance	Beginning	Added	Deleted	Ending	Value
Land	46,801	0	0	46,801	0	0	0	0	46,801
Construction	158,587	34,180	(148,055)	44,712	0	0	0	0	44,712
Non-depreciable assets	205,388	34,180	(148,055)	91,513	0	0	0	0	91,513
Depreciable assets									
Buildings	544,785	0	0	544,785	285,343	20,286	0	305,629	239,156
Office equipment	18,532	0	0	18,532	11,294	1,089	0	12,383	6,149
Equipment	499,875	632,805	(4,481)	1,128,199	357,146	46,631	(4,481)	399,296	728,903
Capital lease assets	847,689	0	0	847,689	111,440	35,021	0	146,461	701,228
Vehicles	1,100,512	0	0	1,100,512	530,098	59,352	0	589,450	511,062
Total depreciable assets	3,011,393	632,805	(4,481)	3,639,717	1,295,321	162,379	(4,481)	1,453,219	2,186,498
Total assets	3,216,781	666,985	(152,536)	3,731,230	1,295,321	162,379	(4,481)	1,453,219	2,278,011

**6. Capital Leases**

At June 30, 2014, the District is liable for the following capital lease:

Interest Rate	Maturity Date	Amount Issued	Outstanding	Due in One Year	Security
3.250%	03/15/20	569,713	556,613	89,545	Fire truck

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

	Principal	Interest	Total
2015	89,545	16,764	106,309
2016	92,499	13,810	106,309
2017	95,550	10,759	106,309
2018	98,702	7,606	106,309
2019	101,958	4,350	106,309
2020	78,359	1,062	79,421
	556,613	54,351	610,964

**The Oak Cliff Rural Fire Protection District**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2014**

Capital lease activity for the year is presented below:

Leases outstanding 06/30/13	623,745
New leases	569,713
Repayments	<u>(636,845)</u>
Leases outstanding 06/30/12	<u>556,613</u>

**7. Budgets and Budgetary Compliance**

The board of directors 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 fund financial statements presented reflect expenditures at the budget line item level. Budget amendments are approved by the board when required. Encumbrance accounting is used throughout the year, but unused encumbrances lapse at the end of each year. For the year just ended, one budget amendment was approved by the board of directors. The budgetary comparison schedule presented as part of this report reflects the final approved budget for the year, including all amendments.

Title 19 prohibits authorized or actual expenditures from exceeding any fund balance for any fund of the budget as adopted or amended, or which exceeds the appropriation for any fund of the budget as adopted or amended; and it 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.

**8. 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, or by calling 1-800-525-7461.

Funding Policy. Volunteer firefighters are not required to contribute, but the District is required to contribute \$60 per volunteer per year. The contributions requirements of the System are rates determined by Oklahoma Statutes and are not based on actuarial calculations. The District's contributions to the System for the years ended June 30, 2014, 2013 and 2012 were \$1,560, \$4,860 and \$2,400 respectively, equal to the required contribution for each year. During 2013, the System changed the due date for volunteer contributions, resulting in 2 years contributions being made during 2013.

**The Oak Cliff Rural Fire Protection District**  
**Notes to the Basic Financial Statements**  
**As of and for the Year Ended June 30, 2014**

Funding Policy. From July through October, paid firefighters were required to contribute 8% of eligible salary, while the district was required to contribute 13%. Effective November 1, 2013, the rates increased to 9% and 14% respectively. The contribution requirement of the System is an established rate determined by Oklahoma Statute and is not based on actuarial calculations. The district's contribution to the System for the year was \$12,737, equal to the required contribution for the year. Employees contributed \$7,955. Eligible payroll was \$94,390.

**9. 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 received \$5,811 for covered losses during the year just ended, recorded as credits to medical supplies and vehicle maintenance.

**10. Subsequent Events**

Management performed an evaluation of the District's activity through March 7, 2015, the date the audit was available to be released, and has concluded that there are no significant subsequent events requiring disclosure through that date.

**11. Construction Commitments**

At year end, the District had accepted bids on the station #1 remodel of \$349,574.



**Oak Cliff Rural Fire Protection District**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2014**

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL BUDGET BASIS</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
Ad valorem taxes	643,818	657,868	682,106	24,238
Logan county sales taxes	60,000	60,000	123,368	63,368
Other revenues	4,500	4,500	23,448	18,948
Interest	6,100	6,100	6,970	870
Grants	405,000	405,000	407,674	2,674
<b>TOTAL REVENUES</b>	<b>1,119,418</b>	<b>1,133,468</b>	<b>1,243,566</b>	<b>110,098</b>
<b>EXPENDITURES</b>				
Personal services	161,825	236,475	231,682	4,793
Materials and supplies	334,275	183,925	149,290	34,635
Other services and charges		114,750	108,358	6,392
Capital outlay	1,235,479	1,210,479	518,930	691,549
Debt service	108,033	108,033	668,456	(560,423)
<b>TOTAL EXPENDITURES</b>	<b>1,839,612</b>	<b>1,853,662</b>	<b>1,676,716</b>	<b>176,946</b>
<b>REVENUES (UNDER) EXPENDITURES</b>	<b>(720,194)</b>	<b>(720,194)</b>	<b>(433,150)</b>	<b>287,044</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease proceeds	0	0	569,713	569,713
<b>NET CHANGE IN FUND BALANCE</b>	<b>(720,194)</b>	<b>(720,194)</b>	<b>136,563</b>	<b>856,757</b>
<b>BEGINNING FUND BALANCE</b>	<b>982,339</b>	<b>982,339</b>	<b>982,339</b>	<b>0</b>
<b>ENDING FUND BALANCE</b>	<b>262,145</b>	<b>262,145</b>	<b>1,118,902</b>	<b>856,757</b>

Notes to the budgetary comparison schedule:

1. Any differences between the budget basis and GAAP are immaterial.
2. The new capital lease was not recorded correctly, causing debt service and lease proceeds to be budgeted incorrectly.

**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 Oak Cliff Rural Fire Protection District

We have audited 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, the financial statements of the governmental activities and governmental fund of the Oak Cliff Rural 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 basic financial statements of the Oak Cliff Rural Fire Protection District, and have issued our report thereon, dated March 7, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting of the Oak Cliff Rural Fire Protection District 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 Oak Cliff Rural Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Oak Cliff Rural Fire Protection District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2014-1 described in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency, or 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 deficiency 2014-2 to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of the Oak Cliff Rural 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 Oak Cliff Rural Fire Protection District's Response to Findings**

The Oak Cliff Rural Fire Protection District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Oak Cliff Rural 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.

## **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.

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.  
March 7, 2015

## **SCHEDULE OF FINDINGS AND RESPONSES**

### **For the Year Ended June 30, 2014**

- 2014-1      Criteria: Policies and procedures should be established to insure that grants are adequately administered; that grant records are adequately maintained; and that grant revenues and expenditures are correctly recorded in the general ledger.
- Condition: Grants are not being adequately administered; grant records are not being adequately maintained; and grant revenues and expenditures are not being correctly recorded in the general ledger.
- Cause: There are no established policies or procedures to insure that grants are adequately administered; that grant records are adequately maintained; or that grant revenues and expenditures are correctly recorded in the general ledger.
- Effect: Because there are no established policies or procedures to insure that grants are adequately administered, grant revenues are not being correctly recognized in the general ledger; grant funds are not being drawn timely or in the correct amounts; grant reports are not being completed timely or in the correct amounts; and grant files are incomplete.
- Recommendation: We recommend that policies and procedures be established to insure that grants are adequately administered; grant records are adequately maintained; and grant revenues and expenditures are correctly recorded in the general ledger.
- Response: We will establish policies and procedures to insure that grants are adequately administered; grant records are adequately maintained; and that grant revenues and expenditures are correctly recorded in the general ledger.
- 2014-2      Criteria: Procedures should be established to insure that capital assets are correctly recorded in the general ledger; that subsidiary schedules of capital assets are adequately maintained; and that capital assets are reconciled to the general ledger and to insurance policies at least annually.
- Condition: Capital assets are not being correctly recorded in the general ledger; subsidiary schedules of capital assets are not being adequately maintained; and capital assets are not being reconciled to the general ledger or to insurance policies at least annually.
- Cause: There are no established procedures to insure that capital assets are correctly recorded in the general ledger; that subsidiary schedules of capital assets are adequately maintained; or that capital assets are reconciled to the general ledger and to insurance policies at least annually.

Effect: Because there are no established procedures to insure that capital assets are correctly recorded in the general ledger; that subsidiary schedules of capital assets are adequately maintained; or that capital assets are reconciled to the general ledger and insurance policies at least annually, errors in either the general ledger, subsidiary schedules, or insurance policies may exist and not be corrected on a timely basis.

Recommendation: We recommend that procedures be established to make sure that capital assets are correctly recorded in the general ledger; that subsidiary schedules of capital assets are adequately maintained; and that capital assets are reconciled to the general ledger and to insurance policies at least annually.

Response: We will establish procedures to insure that capital assets are correctly recorded in the general ledger; that subsidiary schedules of capital assets are adequately maintained; and that capital assets are reconciled to the general ledger and to insurance policies at least annually.