
**THE OAK CLIFF RURAL FIRE
PROTECTION DISTRICT**

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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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 modified cash basis 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, 2018, 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 the modified cash basis of accounting as described in Note 1: this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 modified cash basis financial position of the governmental activities and governmental fund of the Oak Cliff Rural Fire Protection District, as of June 30, 2018, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Oak Cliff Rural Fire Protection District's basic financial statements. The budgetary comparison schedule on page 13, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2019, 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.
January 4, 2019

Oak Cliff Rural Fire Protection District
Statement of Net Position - Modified Cash Basis
As of June 30, 2018

ASSETS

Current Assets

| | |
|--------------------------|----------------|
| Cash and demand deposits | 415,021 |
| County sales tax fund | <u>198,737</u> |
| Total current assets | 613,758 |

Noncurrent Assets

| | |
|------------------------------------|--------------------|
| Depreciable property and equipment | 5,348,893 |
| Accumulated depreciation | <u>(2,107,701)</u> |
| Net depreciable assets | 3,241,192 |
| Non-depreciable capital assets | <u>46,801</u> |
| Total noncurrent assets | <u>3,287,993</u> |

| | |
|---------------------|------------------|
| TOTAL ASSETS | 3,901,751 |
|---------------------|------------------|

LIABILITIES

Current Liabilities

| | |
|-----------------------------------|----------------|
| Current portion of capital leases | <u>160,895</u> |
| Total current liabilities | 160,895 |

Noncurrent liabilities

| | |
|--------------------------------------|----------------|
| Capital leases, less current portion | <u>662,969</u> |
|--------------------------------------|----------------|

| | |
|--------------------------|----------------|
| TOTAL LIABILITIES | 823,864 |
|--------------------------|----------------|

NET POSITION

| | |
|----------------------------------|---------------------------|
| Net investment in capital assets | 2,464,129 |
| Unrestricted | <u>613,758</u> |
| TOTAL NET POSITION | <u>\$3,077,887</u> |

The accompanying notes are an integral part of these financial statements

Oak Cliff Rural Fire Protection District
Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2018

| Governmental Activities | | Program Revenues | | | Net Revenues and Changes in Net Position |
|-------------------------|-----------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Functions/Programs | Expenses | | | | |
| Fire department * | (938,752) | 0 | 82,388 | 0 | (856,364) |
| General revenues: | | | | | |
| Property taxes | | | | | 793,755 |
| Miscellaneous revenues | | | | | 5,504 |
| Investment income | | | | | 4,789 |
| Total general revenues | | | | | 804,048 |
| Change in net assets | | | | | (52,316) |
| Beginning net position | | | | | 3,130,203 |
| Ending net position | | | | | \$3,077,887 |

* Includes interest of \$40,996

The accompanying notes are an integral part of these financial statements

Oak Cliff Rural Fire Protection District
Governmental Fund
Balance Sheet - Modified Cash Basis
As of June 30, 2018

| | |
|--------------------|------------------|
| ASSETS | |
| Cash | 415,021 |
| Restricted cash | 198,738 |
| TOTAL ASSETS | <u>\$613,759</u> |
| FUND BALANCE | |
| Unrestricted: | |
| Unassigned | 613,758 |
| TOTAL FUND BALANCE | <u>\$613,758</u> |

| | |
|--|--------------------|
| Reconciliation to Statement of Net Position: | |
| Fund balance | 613,758 |
| Net capital assets | 3,287,993 |
| Leases payable | (823,864) |
| Net position of governmental activities | <u>\$3,077,887</u> |

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 - Modified Cash Basis
For the Year Ended June 30, 2018

| | |
|--|------------|
| REVENUES | |
| Property taxes | 793,755 |
| Logan county sales taxes | 78,349 |
| Other revenues | 3,304 |
| Interest | 4,789 |
| Grants | 3,744 |
| TOTAL REVENUES | 883,941 |
| EXPENDITURES | |
| Personal services | 378,643 |
| Materials and supplies | 174,697 |
| Other services and charges | 123,014 |
| Capital outlay | 115,486 |
| Debt service | 195,952 |
| TOTAL EXPENDITURES | 987,792 |
| REVENUES (UNDER) EXPENDITURES | (103,851) |
| OTHER FINANCING SOURCES (USES) | |
| Capital lease proceeds | 9,800 |
| NET CHANGE IN FUND BALANCE | (94,051) |
| BEGINNING FUND BALANCE | 707,809 |
| ENDING FUND BALANCE | \$613,758 |
| Reconciliation of the change in fund balance to the change in net position: | (94,051) |
| Capital asset purchases capitalized | 115,486 |
| Loss on disposal of capital assets | 2,495 |
| Depreciation expense | (221,402) |
| Capital lease proceeds | (9,800) |
| Principal payments | 154,956 |
| Change in Net Position of Governmental Activities | (\$52,316) |

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, 2018

1. Summary of Significant Accounting Policies

1A. Introduction

The District's financial statements are prepared using the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting. Generally, that means that only items arising from cash transactions are recorded. Accounts receivable and accounts payable, for instance, are not recorded.

1B. 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.

1C. Basis of Presentation

1C1. 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.

1C2. 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. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as needed. When both assigned and unassigned resources are available for use, it is the government's policy to use assigned resources first, and then unassigned resources as needed. Program revenues in the government-wide statements include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

1C2a. Modified Cash Basis of Accounting

The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP, and is a modification of the pure cash basis of accounting. Professional standards define the cash basis of accounting *as a basis of accounting an entity uses to record cash receipts and disbursements, and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets.)* Although the modified cash basis of accounting is not separately defined by professional standards, the modifications to the cash basis have evolved over time through common practice, and generally result when cash receipts or disbursements provide a benefit or obligation covering multiple reporting

The Oak Cliff Rural Fire Protection District
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2018

periods, and the reporting of the cash transaction would be more meaningful to financial statement users if spread over those multiple periods.

For modifications to be considered to have substantial support, they should:

1. be made as a result of cash receipts or disbursements;
2. have substantial support in GAAP or other accounting literature; and
3. be logical.

1C3. 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 within the limitations of the modified cash basis of accounting. This means that revenues are recorded when received and expenses are recorded when paid. 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.

1C4. 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 cash basis of accounting. Revenues are recognized when they are received and expenditures are recorded when paid. 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.

1D. 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.

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 are 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, 2018

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 position and reported in three components as follows:

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

In the fund financial statements, governmental fund equity is classified as fund balance and reported as needed in five components as follows:

1. Nonspendable – amounts not in a spendable form, or legally or contractually required to be maintained intact.
2. Restricted – constraints placed on fund balance are externally imposed by creditors, grantors, or other governments; or are imposed by law through constitutional provisions or enabling legislation.

The Oak Cliff Rural Fire Protection District
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2018

3. Committed – amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the individual government’s highest level of decision-making authority.
4. Assigned – constraints placed on fund balance are imposed by the government’s intent that it be used for specific purposes but are neither restricted nor committed. An individual government must define and disclose how it expresses its intent for purposes of making assignments. For the District, this intent is expressed by the use of purchase orders encumbering amounts for assigned purposes as approved by the board of directors.
5. Unassigned – remaining fund balance in excess of all other classifications.

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 \$173,961 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.

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, 2018, was \$198,737. During the year just ended, the District received shared taxes of \$78,349 and authorized expenditures out of the account of \$14,813.

The Oak Cliff Rural Fire Protection District
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2018

5. Capital Assets

Capital asset activity for the year ended June 30, 2018, is summarized as follows:

| | Beginning Balance | Added | Deleted | Ending Balance | Accumulated Depreciation | | | | Net Value |
|--------------------------|----------------------|-------------|---------------|-------------------|--------------------------|-----------|------------|-------------|--------------|
| | | | | | Beginning | Added | Deleted | Ending | |
| Land | 46,801 | 0 | 0 | 46,801 | 0 | 0 | 0 | 0 | 46,801 |
| Construction | 1,127,758 | 0 | (1,127,758) | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-depreciable assets | 1,174,559 | 0 | (1,127,758) | 46,801 | 0 | 0 | 0 | 0 | 46,801 |
| Depreciable assets | | | | | | | | | |
| Buildings | 977,549 | 7,450 | 0 | 984,999 | 484,847 | 29,844 | 0 | 514,691 | 470,308 |
| Office equipment | 11,084 | 0 | 0 | 11,084 | 7,395 | 820 | 0 | 8,215 | 2,869 |
| Equipment | 1,175,001 | 9,793 | 0 | 1,184,794 | 600,190 | 66,601 | 0 | 666,791 | 518,003 |
| Capital lease assets | 405,876 | 1,226,000 | 0 | 1,631,876 | 111,616 | 40,727 | 0 | 152,343 | 1,479,533 |
| Vehicles | 1,560,661 | 0 | (24,521) | 1,536,140 | 700,235 | 83,409 | (17,982) | 765,662 | 770,478 |
| Total depreciable assets | 4,130,171 | 1,243,243 | (24,521) | 5,348,893 | 1,904,283 | 221,401 | (17,982) | 2,107,702 | 3,241,191 |
| Total assets | \$5,304,730 | \$1,243,243 | (\$1,152,279) | \$5,395,694 | \$1,904,283 | \$221,401 | (\$17,982) | \$2,107,702 | \$3,287,992 |

6. Capital Leases

Lease activity for the year just ended was as follows:

| | |
|-----------------------------|------------------|
| Leases outstanding 06/30/17 | 979,020 |
| New leases | (200) |
| Repayments | <u>(154,956)</u> |
| Leases outstanding 06/30/18 | <u>\$823,864</u> |

At June 30, 2018, the District is liable for the following capital leases:

| Interest Rate | Maturity Date | Amount Issued | Outstanding | Due in One Year | Security |
|---------------|---------------|---------------|-------------|-----------------|------------|
| 3.250% | 03/15/20 | \$180,317 | \$180,317 | \$180,317 | Fire truck |
| 4.770% | 05/01/27 | \$700,000 | \$700,000 | \$643,547 | Station #1 |

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

| | Principal | Interest | Total |
|-----------|------------------|------------------|--------------------|
| 2019 | 160,895 | 35,057 | 195,952 |
| 2020 | 140,107 | 28,957 | 169,064 |
| 2021 | 64,693 | 24,950 | 89,643 |
| 2022 | 67,779 | 21,864 | 89,643 |
| 2023 | 71,012 | 18,631 | 89,643 |
| 2024-2027 | 319,377 | 38,997 | 448,017 |
| | <u>\$823,864</u> | <u>\$168,457</u> | <u>\$1,081,964</u> |

The Oak Cliff Rural Fire Protection District
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2018

7. Budgets and Budgetary Compliance

The board of directors adopts a legally required annual operating budget each year. The same basis of accounting used for fund financial reporting is used for budgetary purposes. 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. One budget amendment was approved during the year.

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, 2018, 2017 and 2016 were \$1,500, \$1,500 and \$2,100 respectively, equal to the required contribution for each year.

Funding Policy. Paid firefighters are required to contribute 9% of eligible salary, while the district is required to contribute 14%. 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 \$31,819, equal to the required contribution for the year. Employees contributed \$20,949. Eligible payroll was \$232,763.

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 \$17,599 for covered losses during the year just ended, recorded as credits to vehicle maintenance.

The Oak Cliff Rural Fire Protection District
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2018

10. Subsequent Events

Management performed an evaluation of the District's activity through January 4, 2019, the date the audit was available to be released, and has concluded that there are no significant subsequent events requiring disclosure through that date.

Oak Cliff Rural Fire Protection District
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL BUDGET BASIS | VARIANCE FAVORABLE (UNFAVORABLE) |
|--------------------------------|----------------------------|-------------------------|------------------------------------|---|
| REVENUES | | | | |
| Ad valorem taxes | 754,283 | 754,283 | 793,755 | 39,472 |
| Logan county sales taxes | 60,000 | 60,000 | 78,349 | 18,349 |
| Other revenues | 10,500 | 10,500 | 3,304 | (7,196) |
| Interest | 1,000 | 1,000 | 4,789 | 3,789 |
| Grants | 3,800 | 3,800 | 3,744 | (56) |
| TOTAL REVENUES | 829,583 | 829,583 | 883,941 | 54,358 |
| EXPENDITURES | | | | |
| Personal services | 425,100 | 425,100 | 378,643 | 46,457 |
| Materials and supplies | 175,450 | 175,450 | 174,697 | 753 |
| Other services and charges | 136,000 | 136,000 | 123,014 | 12,986 |
| Capital outlay | 70,000 | 70,000 | 115,486 | (45,486) |
| Debt service | 196,144 | 196,144 | 195,952 | 192 |
| TOTAL EXPENDITURES | 1,002,694 | 1,002,694 | 987,792 | 14,902 |
| REVENUES (UNDER) EXPENDITURES | (173,111) | (173,111) | (103,851) | 69,260 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Capital lease proceeds | 0 | 0 | 9,800 | 9,800 |
| NET CHANGE IN FUND BALANCE | (173,111) | (173,111) | (94,051) | 79,060 |
| BEGINNING FUND BALANCE | 707,809 | 707,809 | 707,809 | 0 |
| ENDING FUND BALANCE | <u>\$534,698</u> | <u>\$534,698</u> | <u>\$613,758</u> | <u>\$79,060</u> |

Notes to the budgetary comparison schedule:

1. The budget is presented on the modified cash basis of accounting.

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, 2018, 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 January 4, 2019.

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.

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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described as item 2018-1 in the accompanying schedule of findings and responses, that we consider to be significant deficiencies.

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.

 , C.P.A., Inc.

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

January 4, 2019

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2018

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| 2018-1 | <p data-bbox="332 394 1546 535">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. This is a repeat finding from 2015, 2016 and 2017.</p> <p data-bbox="332 577 1546 682">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.</p> <p data-bbox="332 724 1546 829">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.</p> <p data-bbox="332 871 1546 1039">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.</p> <p data-bbox="332 1081 1546 1207">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.</p> <p data-bbox="332 1249 1546 1350">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.</p> |
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