

BERRYHILL FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2021



124 S. Main Street, Miami, Oklahoma 74354
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BERRYHILL FIRE PROTECTION DISTRICT
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Certified Public Accountants, PLLC
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INDEPENDENT AUDITOR’S REPORT

Honorable Chairman and Board of Directors
Berryhill Fire Protection District

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying modified cash basis financial statements of the governmental activities of Berryhill Fire Protection District (the “District”), as of and for the year ended June 30, 2021, 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, which is described in Note 1C. 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 an opinion on these financial statements, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan, and perform, the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 obtained is sufficient, and appropriate, to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements, referred to above, present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities of the District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended, in accordance with the modified cash basis of accounting described in Note 1C.

BASIS OF ACCOUNTING

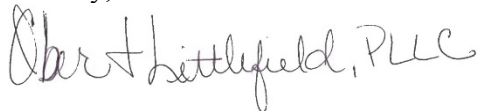
We draw attention to Note 1C of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion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

OTHER MATTERS

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 11, 2021, on our consideration of the District's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of Berryhill Fire Protection District's 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 District's internal control over financial reporting, and compliance.

Sincerely,

A handwritten signature in dark ink, appearing to read "Ober & Littlefield, PLLC".

OBER & LITTLEFIELD, CPAS, PLLC
MIAMI, OKLAHOMA

NOVEMBER 11, 2021

BERRYHILL FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
JUNE 30, 2021

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 534,840.79
Total current assets	<u>534,840.79</u>
Property and Equipment	
Land	176,290.00
Buildings and improvements	1,360,554.70
Equipment	188,303.47
Vehicles	920,241.49
Total Property and Equipment	<u>2,645,389.66</u>
Less: accumulated depreciation	<u>(622,489.12)</u>
Net Property and Equipment	<u>2,022,900.54</u>
Total Assets	<u><u>\$ 2,557,741.33</u></u>
Liabilities	
Current Liabilities	
Lease payable - current	\$ 128,655.03
Total current liabilities	<u>128,655.03</u>
Non-Current Liabilities	
Lease payable	<u>813,517.59</u>
Total Liabilities	<u>942,172.62</u>
Net Position	
Invested in capital assets, net of related debt	1,080,727.92
Unrestricted	<u>534,840.79</u>
Total Net Position	<u>1,615,568.71</u>
Total Liabilities and Net Position	<u><u>\$ 2,557,741.33</u></u>

The accompanying notes are an integral part of these financial statements.

BERRYHILL FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Operating Grants	
Governmental activities:				
Fire	<u>\$ 1,267,665.94</u>	<u>\$ -</u>	<u>\$ 115,342.56</u>	<u>\$ (1,152,323.38)</u>
General revenues				
Special assessment revenues				1,278,319.78
Other Income				<u>15,456.34</u>
Total general revenues				<u>1,293,776.12</u>
Change in net position				<u>141,452.74</u>
Fund balance/net position, beginning of year				<u>1,474,115.97</u>
Fund balance/net position, end of year				<u>\$ 1,615,568.71</u>

The accompanying notes are an integral part of these financial statements.

BERRYHILL FIRE PROTECTION DISTRICT
BALANCE SHEET – GOVERNMENTAL FUND – MODIFIED CASH BASIS
JUNE 30, 2021

	<u>Fire Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	<u>\$ 534,840.79</u>
Fund Balance	
Unassigned	<u>\$ 534,840.79</u>
Total fund balance - governmental funds	\$ 534,840.79
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$622,489.12	2,022,900.54
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the modified cash basis governmental fund balance sheet	
Due within one year	(128,655.03)
Long-term portion	<u>(813,517.59)</u>
Net position of governmental activities	<u>\$ 1,615,568.71</u>

The accompanying notes are an integral part of these financial statements.

BERRYHILL FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUND – MODIFIED CASH BASIS
JUNE 30, 2021

	<u>Fire Fund</u>
General revenues	
Special assessment revenues	\$ 1,278,319.78
Grant revenues	115,342.56
Other Income	<u>15,456.34</u>
Total general revenues	<u>1,409,118.68</u>
Expenditures	
Fire protection - operations:	
Dues and memberships	840.00
Employee benefits	158,777.06
Insurance and bonds	54,853.00
Licenses and permits	517.99
Office expense	148,033.25
Operational equipment	1,472.66
Operational supplies	1,945.00
Payroll tax expense	14,524.71
Professional fees	16,723.10
Repairs and maintenance	117,929.50
Miscellaneous	(9,422.08)
Telephone	2,137.08
Training	1,055.00
Transportation	1,849.56
Utilities	512.12
Wages	<u>621,252.96</u>
Total fire protection - operations	1,133,000.91
Capital outlay	501,930.00
Debt service:	
Principal	80,347.33
Interest expense	<u>28,926.78</u>
Total expenditures	<u>1,744,205.02</u>
Excess of revenues over/(under) expenditures	<u>(335,086.34)</u>
Other Financing Sources and (Uses):	
Loan proceeds	400,000.00
Net change in fund balance	<u>64,913.66</u>
Fund balance, beginning of year	469,927.13
Fund balance, end of year	<u><u>\$ 534,840.79</u></u>

The accompanying notes are an integral part of these financial statements.

BERRYHILL FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES AND CHANGE IN NET POSITION – MODIFIED CASH BASIS
JUNE 30, 2021

Net change in fund balances - total governmental funds	\$ 64,913.66
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets purchased	501,930.00
Depreciation expense	(105,738.25)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position - modified cash basis. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position - modified cash basis:	
Principal repaid	80,347.33
Loan proceeds	(400,000.00)
Change in net position of governmental activities	<u>\$ 141,452.74</u>

The accompanying notes are an integral part of these financial statements.

Note 1 - Nature of Organization

The Berryhill Fire Protection District, (the "District") was organized for the purpose of providing fire protection services for the owners, and occupants, of land located within the District.

The District's financial statements are prepared on the modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash, and cash equivalents, and the changes therein, and only recognizes revenue, expenses, assets, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in generally accepted accounting principles.

Note 2 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The District complies with GASB Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB 61. This statement establishes standards for defining, and reporting on, the financial reporting entity. It defines component units as legally separate organizations, for which the elected officials of the primary government are financially accountable, and other organizations for which the nature, and significance, of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading, or incomplete.

The District considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the District's financial statements.

B. Basis of Presentation

Government-Wide Statements

The statement of net position – modified cash basis, and the statement of activities – modified cash basis, present financial information about the reporting government, as a whole. These statements include the financial activities of the overall government, in its entirety, except those that are fiduciary. Eliminations have been made to minimize duplicate transactions. Governmental activities generally are financed through taxes and other exchange, and non-exchange, transactions. Operating grants include operating-specific and discretionary (either operational or capital) grants. The statement of activities – modified cash basis presents a comparison between direct expenses and direct revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with, and are clearly identifiable to, a function. Direct revenues include charges paid by the recipients of goods or services offered by the District, and grants and contributions that are restricted to meeting the operational, or capital, requirements of a particular function. Revenues that are not classified as direct revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity, and report a fund balance. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity or net position, revenues, and expenditures. There is only one governmental fund for the District.

Note 2 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Governmental Funds

The general fund is the principal operating fund of the District. It is used to account for all financial resources.

C. Measurement Focus and Basis of Accounting

Measurement Focus

In the government-wide statement of net position – modified cash basis, and statement of activities – modified cash basis, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as subsequently defined.

In the fund financial statements, the current financial resources measurement focus, or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used, as appropriate:

All governmental funds utilize a current financial resources measurement focus, within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources, and uses, of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP, as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position, or balance sheets, cash transactions or events that provide a benefit, or result in an obligation, that covers a period greater than the period in which the cash transaction, or event, occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustments to fair value.

If the District utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Note 2 - Summary of Significant Accounting Policies (continued)

D. Cash and Cash Equivalents

Cash and cash equivalents include all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased.

E. Fair Value of Financial Instruments

The District's financial statements include cash and investments. The District's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

F. Capital Assets

All fixed assets over \$5,000 are recorded at cost. Donated capital assets are reported at estimated fair market value at the date of donation.

Maintenance and repairs, which do not significantly extend the value, or life, of property, plant, and equipment are expensed, as incurred.

All reported capital assets are depreciated on the straight-line basis, over the estimated useful lives, ranging from five to fifty years.

G. Compensated Absences

After the first year of employment, employees accrue 5 shifts of paid time off (PTO) per year (5 hours/pay period). For the next three years of employment, employees accrue 7 shifts of PTO per year (7 hours/pay period). For anything over 5 years of employment, employees accrue 8 shifts per year (8 hours/pay period). Personnel in a salary status shall accumulate 12 days of paid leave the first year, and 15 days of paid leave for each subsequent year thereafter. Vacation pay does not accumulate, and unused vacation is forfeited if not taken by December 31.

H. Revenues

The District's major source of revenue is district property assessments. Property owners within the district are assessed a millage levy, as determined by the Board of Directors, as part of the budgeting process, and the County Assessor adds the millage to the tax rolls, which is then collected by the County Treasurer, and remitted to the District in the month after it is collected. These revenues are recorded on the cash basis until June 30, at which time uncollected receivables are recorded as revenues, less an allowance for uncollectible accounts.

Note 2 - Summary of Significant Accounting Policies (continued)

I. Equity Classifications

Equity is classified as net position, and displayed in three components:

- a. *Invested in capital assets, net of related debt* - Consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* - Consists of net position, with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions, or enabling legislation.
- d. *Unrestricted net position* - All other net position that do not meet the definition of "restricted," or "invested in capital assets, net of related debt."

J. Use of Estimates

The preparation of financial statements, in conformity with the modified cash basis of accounting used by the District, requires management to make estimates, and assumptions, that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

K. Concentrations of Credit and Market Risk

Financial instruments that potentially expose the District to concentrations of credit, and market, risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions, and credit exposure is limited at any one institution. The District has not experienced any losses on its cash equivalents.

Note 3 - Detail Notes on Transaction Classes/Accounts

A. - Deposits and Investments

The table presented below is designed to disclose the level of custody credit risk assumed by the District, based upon how its deposits were insured, or secured with collateral, at June 30, 2021.

State statutes govern the District's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts, or savings certificates, of savings and loan associations, and trust companies. Collateral is required for demand deposits, and certificates of deposit, for all amounts not covered by federal deposit insurance. Investments are stated at cost.

Note 3 - Detail Notes on Transaction Classes/Accounts (continued)

A. - Deposits and Investments (continued)

Category 1 – Insured by FDIC, or collateralized with securities held by the District, or by its agent, in it's name.

Category 2 – Uninsured, but collateralized with securities held by the pledging financial institution's trust department, or agent, in the District's name.

Category 3 – Uninsured and uncollateralized; or 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 with no written, or approved, collateral agreement.

Type	Total Bank Balance	Custody Credit Risk Category			Total Book Balance
		1	2	3	
Demand deposits	\$ 555,514.04	\$250,000.00	\$ -	\$305,514.04	\$539,677.55

B. - Capital Assets

Capital asset activity during the year was as follows:

	Balance 6/30/2020	Additions	Disposals	Balance 6/30/2021
Land	\$ 176,290.00	\$ -	\$ -	\$ 176,290.00
Buildings & improvements	1,360,554.70	-	-	1,360,554.70
Vehicles	460,127.49	460,114.00	-	920,241.49
Equipment	146,487.47	41,816.00	-	188,303.47
Total Property and Equipment	2,143,459.66	501,930.00	-	2,645,389.66
Accumulated Depreciation	(516,750.87)	(105,738.25)	-	(622,489.12)
Net Property and Equipment	\$1,626,708.79	\$ 396,191.75	\$ -	\$ 2,022,900.54

C. – Long-Term Debt

The District entered into a construction loan with American Heritage Bank, dated March 24, 2016. The total loan amount was \$750,000, bearing interest at 3.00%, with fifteen annual payments. As of June 30, 2021, \$747,993.86 had been drawn down on the loan and \$216,682.78 principal had been paid against the loan . At June 30, 2021, the principal balance was \$531,311.08.

Note 3 - Detail Notes on Transaction Classes/Accounts (continued)

C. – Long-Term Debt (continued)

The District entered into a lease purchase agreement, dated June 27, 2017. The total commitment was \$110,000.00, bearing interest at 3.00%, with five annual payments of \$24,057.30, including principal and interest. The principal balance, at June 30, 2021, was \$46,005.18.

The District entered into a lease purchase agreement, dated May 15, 2020. The total commitment was \$400,000.00, bearing interest at 2.84%, with ten annual payments of \$46,519.64, including principal and interest. The principal balance, at June 30, 2021, was \$364,856.36.

Debt activity during the year was as follows:

	Balance 6/30/2020	Additions	Principal payments	Balance 6/30/2021
Lease Purchase Equipment - American Heritage Bank	\$ 46,005.18	\$ -	\$ -	\$ 46,005.18
Construction Loan - American Heritage Bank	576,514.77	-	(45,203.69)	531,311.08
Community Leasing Partner	-	400,000.00	(35,143.64)	364,856.36
	<u>\$622,519.95</u>	<u>\$400,000.00</u>	<u>\$ (80,347.33)</u>	<u>\$ 942,172.62</u>

Principal and interest, until maturity, is as follows:

Year Ending June 30	Principal	Interest	Total
2022	128,655.03	27,334.40	155,989.43
2023	85,092.30	24,181.77	109,274.07
2024	87,607.09	21,667.02	109,274.11
2025	90,196.24	19,077.87	109,274.11
2026-2030	485,700.20	70,858.21	556,558.41
2031	64,921.76	3,205.57	68,127.33
	<u>\$942,172.62</u>	<u>\$166,324.84</u>	<u>\$1,108,497.46</u>

Note 4 – Subsequent Events

Management has evaluated subsequent events up to, and including, November 11, 2021, which is the date the financial statements were available for issuance, and no additional disclosures deemed necessary.



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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Chairman and Board of Directors
Berryhill Fire Protection District

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 modified cash basis financial statements of the governmental activities of Berryhill Fire Protection District, and the related notes to the financial statements, which collectively comprise the basic modified cash basis financial statements of the Berryhill Fire Protection District, as of June 30, 2021, and have issued our report thereon, dated November 11, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning, and performing, our audit of the financial statements, we considered Berryhill 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 Berryhill Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of Berryhill 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control, and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in cursive script that reads "Ober & Littlefield, PLLC".

OBER & LITTLEFIELD, CPAS, PLLC
MIAMI, OKLAHOMA

NOVEMBER 11, 2021