

Tri-District Fire Protection District
Claremore, Oklahoma

Independent Auditor's Report
and Financial Statements

For the Year Ended
June 30, 2014

Ober & Littlefield
Certified Public Accountants, PLLC
124 S. Main Street
Miami, Oklahoma 74354

TRI-DISTRICT FIRE PROTECTION DISTRICT
TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	2-3
Financial Statements	
Statement of Net Position	4
Statement of Revenues, Expenses, and Changes in Net Position	5
Statements of Cash Flows	6
Notes to Financial Statements	7-11
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 <i>Government Auditing Standards</i>	12-13
Schedule of Audit Findings	14

OBER & LITTLEFIELD, CPAS, PLLC

124 SOUTH MAIN MIAMI, OK 74354
918-542-4401 OFFICE

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Board of Directors
Tri-District Fire Protection District

We have audited the statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows, which collectively comprise the basic financial statements of the Tri-District Fire Protection District as of June 30, 2014. These financial statements are the responsibility of the Tri-District Fire Protection District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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. 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 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.

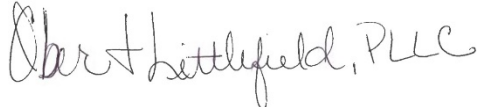
OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows, which collectively comprise the basic financial statements of the Tri-District Fire Protection District, as of June 30, 2014, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER-MATTERS

Management has not presented the management's discussion and analysis that governmental 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.

Sincerely,

A handwritten signature in dark ink that reads "Ober & Littlefield, PLLC". The signature is written in a cursive, flowing style.

**OBER & LITTLEFIELD, CPAS, PLLC
MIAMI, OKLAHOMA**

OCTOBER 20, 2015

TRI-DISTRICT FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2014

Assets

Current Assets

Cash and cash equivalents	\$ 86,839
Taxes receivable	6,982
Prepaid agency funding	14,975
Total Current Assets	<u>108,796</u>

Property and Equipment

Fixed Assets	<u>1,247,264</u>
Total property and equipment	1,247,264
Less: Accumulated depreciation	<u>(1,062,489)</u>
Net Property and Equipment	<u>184,776</u>
Total Assets	<u><u>\$ 293,572</u></u>

Liabilities and Net Position

Current Liabilities

Accounts payable	\$ 11,502
Payroll taxes payable	1,882
Total Current Liabilities	<u>13,384</u>

Net Position

Invested in capital assets, net of related debt	184,776
Unrestricted	95,412
Total Net Position	<u>280,188</u>
Total Liabilities and Net Position	<u><u>\$ 293,572</u></u>

The accompanying notes are an integral part of these financial statements

TRI-DISTRICT FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
AS OF JUNE 30, 2014

Operating Revenues

Ad valorem taxes	\$ 242,560
Donations	4,021
Grant income	3,500
Miscellaneous	1,069
Total Operating Revenues	<u>251,150</u>

Operating Expenses

Depreciation	60,467
Dues and memberships	27
Insurance & bond	25,143
Office expense	10,205
Other expenses	584
Payroll expenses	453
Postage	92
Printing	320
Professional fees	1,569
Repairs and maintenance	11,894
Telephone	3,444
Safety and training	18,032
Truck & equipment expense	45,889
Utilities	24,299
Wages	8,655
Total Expenses	<u>211,073</u>
Net Operating Income (Loss)	<u>40,077</u>

Non-Operating Revenue (Expense)

Interest income	<u>69</u>
Total Non-Operating Revenue (Expense)	<u>69</u>

Increase (Decrease) in Net Assets 40,146

Net Position, beginning of year 240,042

Net Position, end of year \$ 280,188

The accompanying notes are an integral part of these financial statements

TRI-DISTRICT FIRE PROTECTION DISTRICT
STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2014

Cash flows from operating activities

Payments received from taxes	\$ 235,578
Payments received from grants	3,500
Received from other sources	5,090
Payments to suppliers	(126,532)
Payments to employees	(8,655)
Net cash provided (used) by operating activities	<u>108,981</u>

Cash flows from capital and related financing activities

Principal paid on lease agreements	(74,872)
(Acquisition) disposition of capital assets	(11,891)
Net cash provided (used) by capital and related financing activities	<u>(86,763)</u>

Cash flows from investing activities

Interest income	<u>69</u>
Net cash provided (used) by investing activities	<u>69</u>

Net increase (decrease) in cash and cash equivalents	22,288
Cash and cash equivalents, beginning	<u>64,551</u>
Cash and cash equivalents, ending	<u>\$ 86,839</u>

**Reconciliation of operating income (loss) to net cash
provided (used) by operating activities:**

Net operating income (loss)	\$ 40,077
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	60,467
Changes in assets and liabilities:	
(Increase) decrease in receivables	(6,982)
(Increase) decrease in prepaid expenses	2,037
Increase (decrease) in accounts payable	13,382
Total adjustments	<u>68,904</u>
Net cash provided (used) by operating activities	<u>\$ 108,981</u>

The accompanying notes are an integral part of these financial statements

I. Summary of Significant Accounting Policies

Tri-District Fire Protection District, was organized for the purpose of providing fire protection services for the 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

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

The District's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize an "*economic resources*" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Assets

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

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.

Capital Assets

The fixed assets are recorded at cost. Donated capital assets are reported at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Restricted Cash

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use.

TRI-DISTRICT FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2014

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets (continued)

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.
- c. *Unrestricted net position* --- All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Organization 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 Organization has not experienced any losses on its cash equivalents.

Changes in Property and Equipment

The changes in property and equipment for the year ended June 30, 2014 were as follows:

	Balance 6/30/2013	Additions	Transfers	Balance 6/30/2014
Buildings & Improvements	\$ 195,128	\$ -	\$ -	\$ 195,128
Vehicles	652,699	10,500	-	663,199
Equipment	387,546	1,391	-	388,937
Total Property and Equipment	1,235,373	11,891	-	1,247,264
Accumulated Depreciation	(1,002,022)	(60,467)	-	(1,062,489)
Net Property and Equipment	\$ 233,351	\$ (48,576)	\$ -	\$ 184,775

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

TRI-DISTRICT FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2014

II. Detailed Notes Concerning the Funds

A. Deposits and Investments

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. The District invests entirely in certificates of deposit.

The District's cash deposits, including interest-bearing certificates of deposit are maintained in financial institutions. Those deposits are classified as to credit risk by the following three categories:

Category 1 - Insured by Federal Deposit Insurance or direct obligations of U.S.
Government

Category 2 - Collateralized with securities held by the pledging financial institution's
trust department or agent in the District's name

Category 3 - Uncollateralized.

	Category			Bank Balance
	1	2	3	
Checking	\$ 86,839	\$ -	\$ -	\$ 86,839
Savings	-	-	-	-
Total Cash	<u>\$ 86,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,839</u>

B. Long Term Debt

The district entered into a long term lease agreement with the Government Capital Corporation for the purchase of a Ladder 2 Engine for the fire district on January 6, 2006, in the amount of \$89,647. The agreement requires annual payments of \$13,786.80 and was paid off during fiscal year ended June 30, 3014.

The district entered into a long term lease agreement with the Government Capital Corporation for the purchase of Engine 1 and 3 for the fire district on January 9, 2006, in the amount of \$179,716. The agreement requires annual payments of \$27,206 and was paid off during fiscal year ended June 30, 3014.

The district entered into a long term lease agreement with the Government Capital Corporation for the purchase of Brush Pumper for the fire district on December 3, 2004, in the amount of \$197,744. The agreement requires annual payments of \$23,424 and was paid off during fiscal year ended June 30, 3014.

The district entered into a long term lease agreement with the Community Bank of Louisiana for the purchase of a 1985 Chevrolet Kodiak Tanker Fire Truck for the fire District on January 14, 2014 in the amount of \$50,000. The agreement requires an annual payment of \$11,942.38, with the first payment in January 2009 and was paid off during fiscal year ended June 30, 3014.

TRI-DISTRICT FIRE PROTECTION DISTRICT
NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2014

II. Detailed Notes Concerning the Funds (Continued)

B. Long Term Debt (Continued)

Changes in Long Term Debt:

Balance 6/30/2013	Additions	Disposals	Balance 6/30/2014
\$ 74,872	\$ -	\$ (74,872)	\$ (0)

C. Subsequent Events

Subsequent events have been evaluated through the date of the independent auditor's report.

OBER & LITTLEFIELD, CPAs, PLLC

124 SOUTH MAIN MIAMI, OK 74354
918-542-4401 OFFICE

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
Tri-District Fire Protection District

We have audited the statement of Net Position, statement of revenues, expenses and changes in net position and statement of cash flows, which collectively comprise the basic financial statements of the Tri-District Fire Protection District, as of June 30, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Tri-District 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 Tri-District Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of Tri-District 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 material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Tri-District Fire Protection District's financial statements are free from 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.

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

OCTOBER 20, 2015

CURRENT YEAR AUDIT FINDINGS

2014 – 1: Segregation of Duties

Currently, the individual responsible for receiving revenues for the District is the same individual who is responsible for posting the accounting records, depositing money, paying invoices, and reconciling bank accounts.

For the fiscal year ending June 30, 2014, lack of segregation of duties is a concern. Efficient and effective separation of duties is difficult to obtain without hiring additional personnel. However, the governing body and management need to be aware of the continued risk associated with the lack of segregation of duties, and attempt to exercise maximum oversight control over possible areas of risk, such as cash receipts and cash payments.

Recommendation:

A finding regarding segregation of duties has been presented in previous audits: findings 2012-1 and 2013-1. It is not financially feasible for the district to expend resources hiring additional personnel for the sole purpose of remedying this finding. We recommend a Board member that is not an authorized signer on any bank accounts to receive, directly from the banks, monthly statements and review them for unusual transactions. We recommend the reviewed bank statements are initialed by the reviewer and filed with the treasurer's report after each board meeting. This procedure would circumvent unauthorized transactions from occurring for an unnoticed, continual period of time.

Management Response:

Management has noted the recommendation and will present to the board for an approved solution.