

BERRYHILL FIRE PROTECTION DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2017

BERRYHILL FIRE PROTECTION DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Board of Directors
Berryhill Fire Protection District

We have audited the accompanying financial statements of the governmental activities of Berryhill Fire Protection District (the "District"), as of and for the year ended June 30, 2017, 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 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 financial position of the governmental activities of the District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, 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 22, and the net pension information, on pages 23 and 24, 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 the 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

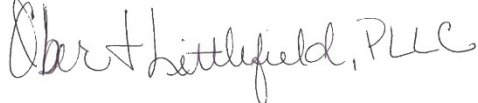
OTHER INFORMATION

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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 11, 2017, 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 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 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,



OBER & LITTLEFIELD, CPAs, PLLC
MIAMI, OKLAHOMA

DECEMBER 11, 2017

BERRYHILL FIRE PROTECTION DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2017

	Governmental Activities
Assets	
Current Assets	
Cash and cash equivalents	\$ 499,242.20
Taxes receivable	17,804.50
Total current assets	<u>517,046.70</u>
Property and Equipment	
Land	176,290.00
Equipment	88,343.00
Vehicles	351,385.00
Construction in process	1,002,411.76
Total property and equipment	<u>1,618,429.76</u>
Less: accumulated depreciation	<u>(305,841.15)</u>
Net property and equipment	<u>1,312,588.61</u>
Other Assets	
Prepaid expense	<u>39,709.55</u>
Deferred Outflows of Resources	
Deferred outflows of resources - current year pension plan contributions	<u>175,730.51</u>
Total assets	<u>\$ 2,045,075.37</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 19,686.05
Payroll taxes payable	4,457.39
Accrued liabilities - payroll	3,905.27
Accrued liabilities - interest	6,433.44
Lease payable - current	61,919.45
Total current liabilities	<u>96,401.60</u>
Non-Current Liabilities	
Lease payable	691,615.68
Net pension liability	952,511.00
Total non-current liabilities	<u>1,644,126.68</u>
Total liabilities	<u>1,740,528.28</u>
Deferred Inflows of Resources	
Deferred inflows - unamortized pension investment income	<u>60,682.00</u>
Total liabilities and deferred inflows of resources	<u>1,801,210.28</u>
Net Position	
Invested in capital assets, net of related debt	559,053.48
Unrestricted	<u>(315,188.39)</u>
Total net position	<u>\$ 243,865.09</u>

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

BERRYHILL FIRE PROTECTION DISTRICT
 STATEMENT OF ACTIVITIES
 JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants	
Governmental activities:				
Fire	\$ 777,731.43	\$ -	\$ 71,985.30	\$ (705,746.13)
Total governmental activities	\$ 777,731.43	\$ -	\$ 71,985.30	(705,746.13)
General revenues				
Special assessment revenues				793,490.77
Grant revenues				22,456.41
In-kind donations				6,000.00
Gain on sale of asset				220,648.03
Donations				60.00
Total general revenues				<u>1,042,655.21</u>
Change in net position				336,909.08
Fund balance/net position, beginning of year				744,904.73
Prior Period Adjustment				<u>(837,948.72)</u>
Fund balance/net position, beginning of year restated				<u>(93,043.99)</u>
Fund balance/net position, end of year				<u>\$ 243,865.09</u>

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

BERRYHILL FIRE PROTECTION DISTRICT
 BALANCE SHEET – GOVERNMENTAL FUNDS
 JUNE 30, 2017

	<u>Fire Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 499,242.20
Taxes receivable	17,804.50
Total current assets	<u>517,046.70</u>
Other Assets	
Prepaid expense	39,709.55
Total assets	<u>\$ 556,756.25</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 19,686.05
Payroll taxes payable	4,457.39
Accrued liabilities - payroll	3,905.27
Accrued liabilities - interest	6,433.44
Total liabilities	<u>34,482.15</u>
Fund Balance	
Fund balances:	
Unassigned	522,274.10
Total liabilities and fund balance	<u>\$ 556,756.25</u>
Total fund balance - governmental funds	\$ 522,274.10
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$305,841.15	1,312,588.61
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet	
Due within one year	(61,919.45)
Long-term portion	(691,615.68)
Certain liabilities are not due and payable in the current period from current financial resources, and, therefore, are not reported in the fund	
Net pension liability	(952,511.00)
Pension related deferred inflows	(60,682.00)
Pension related deferred outflows	175,730.51
Net position of governmental activities	<u>\$ 243,865.09</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 FUNDS
JUNE 30, 2017

	<u>Fire Fund</u>
General revenues	
Special Assessment Revenues	\$ 793,490.77
Grant revenues	22,456.41
In-kind donations	6,000.00
Gain on sale of asset	220,648.03
Donations	60.00
Total general revenues	<u>1,042,655.21</u>
Expenditures	
Fire protection - operations:	
Dispatch & 911 services	3,950.00
Dues and memberships	3,912.99
Employee benefits/insurance	87,019.68
Insurance & bonds	27,798.55
Licenses & permits	223.00
Miscellaneous	725.12
Office expense	9,970.24
Operational equipment	32,255.72
Operational supplies	10,146.89
Payroll expenses	565.00
Postage	436.06
Printing/reproduction	174.09
Professional fees	19,279.77
Recruitment	2,981.80
Repairs and maintenance	26,876.96
Software	10,245.08
Station supplies	10,638.00
Telephone	6,412.23
Training	13,898.84
Transportation	5,948.70
Travel	17,719.35
Uniforms	13,382.85
Utilities	5,331.67
Wages	317,892.03
Total fire protection - operations	<u>627,784.62</u>
Capital outlay	932,985.83
Debt service:	
Principal	43,679.47
Interest expense	7,034.15
Total expenditures/expenses	<u>1,611,484.07</u>
Excess of revenues over (under) expenditures	<u>(568,828.86)</u>
Other Financing Sources and (Uses):	
Loan proceeds	<u>797,214.60</u>
Fund balance, beginning of year	338,186.11
Prior Period Adjustment	<u>(44,297.75)</u>
Fund balance, beginning of year restated	<u>293,888.36</u>
Fund balance, end of year	<u>\$ 522,274.10</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
 JUNE 30, 2017

Net change in fund balances - total governmental funds	\$ (568,828.86)
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allcoate those expenditures of the life of the assets.	
Capital assets purchased	932,985.83
Depreciation expense	(37,756.87)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:	
Principal repaid	43,679.47
Certain liabilities are not due and payable in the current period from current financial resources, and, therefore, are not reported in the fund	
Employer and state (on behalf) pension contributions	71,985.30
Pension related deferred inflows/outflows	<u>(105,155.79)</u>
Change in net position of governmental activities	<u>\$ 336,909.08</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 accounting policies of the District conform to generally accepted accounting principles, applicable to governmental units. The District complies with generally accepted accounting principles, and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the District applies Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board opinions, issued on or before November 30, 1989, unless those pronouncements conflict with, or contradict, GASB pronouncements, in which case, GASB prevails. The District has elected not to follow FASB pronouncement issued since that date.

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, and the statement of activities, 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 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.

Note 2 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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 net position. 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.

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

The government-wide statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives, or receives, value without directly receiving or giving equal value in exchange, include property and sales taxes, grants, and donations. On an accrual basis, revenue from taxes are recognized in the fiscal year for which the taxes are levied, see D. below. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. The governmental fund statements are reported using the current financial resources measurement focus, and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, pension and other post-employment costs, and compensated absences, which are recognized as expenditures when paid. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

The District adopts annual operations and capital budgets. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The current operating budget details the District's plans to earn, and expend, funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The capital budget details the plan to receive, and expend, cash basis capital contribution fees, special assessments, grants, borrowings, and certain revenues for capital projects.

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

All unexpensed, and unencumbered, appropriations in the operating budget lapse at the end of the fiscal year. No appropriation for a capital project in the capital budget lapses until the purpose for which the appropriation was made has been accomplished, or abandoned.

The Board of Directors adopts a budget at the meeting prior to the beginning of the new fiscal year. Actual revenues, and expenditures, are monitored and compared with the budget during the year. Significant variations from budgeted amounts are researched, and the board is informed of the results.

D. Cash and Cash Equivalents

Cash and cash equivalents, for purposes of the statement of cash flows, 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. Accounts Receivable

The Tulsa County Commissioner prepares the tax levy in late December of each year, and bills taxpayers for the District levy, and other Tulsa County real property taxes. These combined taxes become a lien as of January 1st, based on assessed property values as of that date. Tax payments are due during the period December 31st to March 31st. The tax roll is returned to the Tulsa County Commissioner of Finance after March 31st, at which time all unpaid taxes and penalties are payable to that office. The District retains full tax levies for all unpaid items returned to the County. The County enforces tax liens. The County reports the annual tax roll that was assessed, and collections on those amounts, to the District.

G. Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the District that are applicable to a future reporting period. At June 30, 2017, the District reported deferred outflows of resources related to its defined benefit pension plan.

H. 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.

Note 2 - Summary of Significant Accounting Policies (continued)

H. Capital Assets (continued)

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

I. 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.

J. Deferred Inflows of Resources

Deferred inflows are the acquisitions of net position by the District that are applicable to a future reporting period. At June 30, 2017, the District reported deferred inflows of resources related to its defined benefit pension plan.

K. 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.

L. 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 do not meet the definition of "restricted," or "invested in capital assets, net of related debt."

Note 2 - Summary of Significant Accounting Policies (continued)

M. Use of Estimates

The preparation of financial statements, in conformity with the 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 reported period. Actual results could differ from those estimates.

N. 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.

O. New Accounting Pronouncements Adopted in Fiscal Year 2016

The District adopted a new account pronouncement, as follows, during the year ended June 30, 2016, and a prior period adjustment has been made to reflect this adoption. See Note 3.E.

Statement No. 68 Accounting and Financial Reporting for Pensions and Amendment of GASB Statement No. 27

GASB No. 68 establishes standards for measuring, and recognizing, liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan, and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans, and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issue in June 2012, and implementation guidance was issued in November 2013. As a result of the implementation of this standard, the District has restated its beginning net position, as outlined in Note 3.E.

Note 3. - Detail Notes on Transaction Classes/Accounts

3.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, 2017.

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)

3.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	\$ 446,936.64	\$250,000.00	\$ -	\$196,936.64	\$499,242.20
Time deposits	-	-	-	-	-
	<u>\$ 446,936.64</u>	<u>\$250,000.00</u>	<u>\$ -</u>	<u>\$196,936.64</u>	<u>\$499,242.20</u>

3.B. - Accounts receivable

	2017
Tax Receivable - Delinquent	\$ 49,784.50
Allowance for Uncollectible Accounts	(31,980.00)
Net Accounts Receivable	<u>\$ 17,804.50</u>

3.C. - Capital Assets

Capital asset activity during the year was as follows:

	Balance 6/30/2016	Additions	Disposals	Balance 6/30/2017
Land	\$176,290.00	\$ -	\$ -	\$ 176,290.00
Buildings & improvements	15,000.00	-	(15,000.00)	-
Vehicles	345,385.00	6,000.00	-	351,385.00
Equipment	73,868.00	14,475.00	-	88,343.00
Construction in process	74,900.93	927,510.83	-	1,002,411.76
Total Property and Equipment	685,443.93	947,985.83	(15,000.00)	1,618,429.76
Accumulated Depreciation	(278,725.31)	(37,756.87)	10,641.03	(305,841.15)
Net Property and Equipment	<u>\$406,718.62</u>	<u>\$910,228.96</u>	<u>\$(4,358.97)</u>	<u>\$1,312,588.61</u>

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

3.D. – 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, 2017, \$687,214.60 had been drawn down on the loan. One payment had been made, leaving the balance at \$643,535.15.

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, principal and interest. The principal balance, at June 30, 2017, was \$110,000.00.

Debt activity during the year was as follows:

	Balance 6/30/2016	Additions	Principal payments	Balance 6/30/2017
Lease Purchase Equipment - American Heritage Bank	\$ -	\$ 110,000.00	\$ -	\$ 110,000.00
Construction Loan - American Heritage Bank	-	687,214.60	(43,679.47)	643,535.13
	<u>\$ -</u>	<u>\$ 797,214.60</u>	<u>\$ (43,679.47)</u>	<u>\$ 753,535.13</u>

Principal and interest, until maturity, is as follows:

Year Ending June 30	Principal	Interest	Total
2018	\$ 61,919.45	\$ 24,892.32	\$ 86,811.77
2019	63,848.68	22,963.09	86,811.77
2020	65,790.74	21,021.03	86,811.77
2021	67,791.88	19,019.89	86,811.77
2022	69,853.92	16,957.89	86,811.81
2023-2027	252,456.40	65,000.38	317,456.78
2028-2031	171,874.06	27,340.50	199,214.56
	<u>\$753,535.13</u>	<u>\$197,195.10</u>	<u>\$950,730.23</u>

3.E.– Prior Period Adjustment

The beginning net position has been restated, as follows:

Beginning net position, as previously reported at June 30, 2016	\$744,904.73
Prior period adjustment - Implementation of GASB 68	
Net pension liability (July 1, 2015)	(804,292.00)
Prior period adjustment - Correct depreciation for FY 2016	(33,656.72)
Net position, as restated, July 1, 2016	<u>\$ (93,043.99)</u>

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

Note 3.F. – Employee Retirement Systems and Pension Plans

The District, as employer, contributes to a cost-sharing, multiple-employer, defined benefit pension plan, on behalf of the firefighters. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The cost to administer the Oklahoma Firefighters Pension and Retirement System (OFPRS) plan is financed through the contributions, insurance premium taxes, state appropriations, and investment earnings. The plan issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained for OFPRS at www.ok.gov/FPRS.

The Oklahoma Firefighters Pension Retirement System is administrator of the Oklahoma Firefighters Pension and Retirement Plan (OFPRS). The System is part of the State financial reporting entity, which is combined with other similar funds, to comprise the fiduciary pension trust funds of the State. Responsibility for administration of the OFPRS is assigned to the Oklahoma Firefighters Pension and Retirement System Board of Trustees, comprised of thirteen members, including the five members of the Board of Trustees of the Oklahoma House and Senate, two members appointed by the Oklahoma Municipal League, and the State Insurance Commissioner, or designee.

The plan provides defined retirement benefits, based on the members final average compensation, age, and terms of service. In addition, the retirement program provides for benefits upon disability, and to survivors, upon the death of eligible members. Benefits are established, and amended, by the State. Retirement provisions for the plan are as follows:

Benefits for members hired prior to November 1, 2013 are determined as 2.5% of the employee's final average compensation, multiplied by the employee's years of service, and have reached the age of 50, or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit, for normal retirement, is \$150.60 per month. Benefits vest with 10 years, or more, of service.

Benefits for members hired after November 1, 2013 are determined as 2.5% of the employee's final average compensation, multiplied by the employee's years of service, and have reached the age of 50, or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit, for normal retirement, is \$165.66 per month. Benefits vest with 11 years, or more, of service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit, for firefighters with less than 20 years of service, is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities, not in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service, and is 50% of final average monthly compensation, based on the most recent 60 months of salary, as opposed to 30 months. For volunteer firefighters, the not in-the-line-of-duty disability is also limited to only those with less than 20 years of service, and is \$7.53 per year of service, with a maximum of 30 years. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service with a maximum of 30 years.

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

Note 3.F. – Employee Retirement Systems and Pension Plans (continued)

A \$5,000 lump sum death benefit is payable to the qualified spouse, or designated recipient, upon the participant’s death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Member and Employer Contributions

The contribution requirements of the OFPRS plan is at an established rate, determined by Oklahoma statute, and is not based on actuarial calculations. Specific requirements for the plan are as follows:

Required employer contribution levels are 14% of applicable earnings, and firefighters contribute 9%. The Oklahoma Legislature has the authority to establish, and amend, contribution amounts. The State of Oklahoma, a non-employer contribution entity, presently allocates 36% of the insurance premium tax, collected from various types of insurance policies, to the Plan. The State of Oklahoma may also appropriate additional funds annually, as needed, to pay current costs, and to amortize the unfunded actuarial present value of accumulated plan benefits. No such appropriations were received during the year ended June 30, 2017.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability. The net pension liability for the plan was measured, as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation, as of June 30, 2016. The District’s proportionate share of the net pension liability was based on the District’s share of contributions in the pension plan, relative to the total contributions of all participating plan employers, since the plan is a cost-sharing, multiple-employer, type plan.

At June 30, 2016, the District’s proportionate share was .077965% of the total OFPRS plan.

For the year ended June 30, 2017, the District recognized pension expense of \$135,071.30 for the OFPRS plan. At June 30, 2017, the District reported deferred outflows of resources, and deferred inflows of resources, related to the defined benefit pension plan, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OFPRS		
Difference between expected and actual plan experience	25,534	
Net difference between projected and actual earnings on pension plan investments	118,961	33,042
Contributions subsequent to the measurement date	31,236	
Difference due to change in proportion	-	27,640
Total for all plans	<u>\$ 175,731</u>	<u>\$ 60,682</u>

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

3.F. – Employee Retirement Systems and Pension Plans (continued)

Amounts reported as deferred outflows of resources, related to pensions, resulting from employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability, in the year ending June 30, 2017, as follows: \$31,236.

The average of the expected remaining service lives of all employees that are provided with pensions, through the System (active and inactive employees), determined at July 1, 2015, the beginning of the measurement period ended June 30, 2016, is 6.26 years for OFPRS. Other amounts reported as deferred outflows of resources and deferred inflows of resources, related to the pension plan, will be recognized in pension expense (revenue), as follows:

	<u>Fiscal Year</u>	<u>Amount</u>
	2016	\$ 18,649
	2017	\$ 18,649
	2018	\$ 18,649
	2019	\$ 18,649
	2020	\$ 4,079
	Thereafter	\$ 5,139
		<u>\$ 83,813</u>

Actuarial Assumptions

For all plans, valuations are based on actuarial assumptions, the benefit provisions, and census of system members. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. Any unfunded actuarial liability is amortized, based on a level percentage of payroll.

The total pension liability, in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

	<u>OFPRS</u>
Inflation	3.00%
Salary increases	.50% - 6.00%
Salary inflation	3.00%
Investment rate of return	7.50% net of pension plan investment expense
Cost of living adjustments	Half of the dollar amount of the 3% assumed increase in base pay for firefighters with 20 years of service as of May 26, 1983. No COLA is assumed for members not eligible for the increase.

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

3.F. – Employee Retirement Systems and Pension Plans (continued)

Mortality rates for the OFPRS was based on the RP-2000 Blue Collar Combined Healthy Mortality Report, with generational mortality improvement, using Scale AA.

The actuarial assumption used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to October 31, 2013.

The long term expected rate of return on pension plan investments, for the plan, was determined using the building block method, in which best estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage, and by adding expected inflation.

Discount Rate

The discount rate used to measure the total pension liability, for the plan, was 7.5%. The projection of cash flows, used to determine the discount rate, assumed that contributions from plan members will be made at the current contribution rate, and that contributions from employers will be made at the contractually required rates, determined by State statutes. Projected cash flows also assume that the State of Oklahoma will continue contributing 36% of the insurance premium for the OFPRS, as established by statute. For the plan, the pension plan’s fiduciary net position was expected to be available to make all projected future benefit payments of current plan members, for all future years, and hence, the blended GASB discount rate is equal to the long-term rate of return of 7.50%.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District’s proportionate share of the net pension liability, calculated using the specified discount rate, as well as what the District’s proportionate share of the net pension liability would be, if it were calculated using a discount rate that is 1 percentage-point lower, or 1 percentage-point higher, than the specified current rate:

	Current Discount		
Discount rate used >	6.50%	7.50%	8.50%
Cost sharing plans - proportionate share:			
Oklahoma Firefighters Pension and Retirement System	\$ 1,205,798.38	\$ 952,511.00	\$ 740,149.38
Total net pension liability - cost sharing plans	<u>\$ 1,205,798.38</u>	<u>\$ 952,511.00</u>	<u>\$ 740,149.38</u>

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

Note 3.F. – Employee Retirement Systems and Pension Plans (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available, in a separately issued financial report.

The plan issues a publicly available financial report that includes financial statements, and the required supplementary information. The report may be obtained, for the Oklahoma Firefighters Pension and Retirement System (OFPRS) at www.ok.gov/FPRS.

Payables to the Pension Plan

At June 30, 2017, the District reported no payables to the defined benefit pension plan, for legally required employer contributions.

Note 4 - Subsequent Events

Management has evaluated subsequent events up to, and including, December 11, 2017, which is the date the financial statements were available for issuance, and no additional disclosures are required.

SUPPLEMENTARY SCHEDULES

BERRYHILL FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL - FIRE FUND
JUNE 30, 2017

	General Actual	Adopted Budget	Variance Favorable (Unfavorable)
General revenues			
Special Assessment Revenues	\$ 793,490.77	\$756,767.00	\$ 36,723.77
Grant revenues	22,456.41	-	22,456.41
In-kind donations	6,000.00	-	6,000.00
Gain on sale of asset	220,648.03	-	220,648.03
Donations	60.00	-	60.00
Total general revenues	<u>1,042,655.21</u>	<u>756,767.00</u>	<u>285,888.21</u>
Expenditures/expenses			
Fire protection - operations			
Operating expenses	124,621.85	65,000.00	(59,621.85)
Employee benefits/insurance	87,019.68	93,300.00	6,280.32
Insurance & bond	27,798.55	22,275.00	(5,523.55)
Licenses & permits	223.00	325.00	102.00
Professional fees	19,279.77	17,000.00	(2,279.77)
Training	13,898.84	32,500.00	18,601.16
Transportation	23,668.05	35,000.00	11,331.95
Uniforms	13,382.85	9,600.00	(3,782.85)
Wages	317,892.03	325,000.00	7,107.97
Total fire protection - operations	<u>627,784.62</u>	<u>600,000.00</u>	<u>(27,784.62)</u>
Capital outlay	932,985.83	115,000.00	(817,985.83)
Debt service:			
Principal	43,679.47	-	43,679.47
Interest expense	7,034.15	-	7,034.15
Total expenditures	<u>1,611,484.07</u>	<u>715,000.00</u>	<u>(795,056.83)</u>
Excess (deficit) of revenues over expenditures	<u>(568,828.86)</u>	<u>41,767.00</u>	<u>(527,061.86)</u>
Change in net position	<u>(568,828.86)</u>	<u>41,767.00</u>	<u>(610,595.86)</u>
Fund balance/net position, beginning of year	338,186.11	338,186.11	-
Prior Period Adjustment	<u>(44,297.75)</u>	<u>-</u>	<u>(44,297.75)</u>
Fund balance/net position, beginning of year restated	<u>293,888.36</u>	<u>338,186.11</u>	<u>(44,297.75)</u>
Fund balance/net position, end of year	<u>\$ (274,940.50)</u>	<u>\$379,953.11</u>	<u>\$ (654,893.61)</u>

BERRYHILL FIRE PROTECTION DISTRICT
 SCHEDULE OF BERRYHILL FIRE PROTECTION DISTRICT'S SHARE OF NET PENSION LIABILITY
 JUNE 30, 2017

<u>Oklahoma Firefighters Pension and Retirement Plan (OFPRS)</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.077965%	0.073634%
District's proportionate share of the net pension liability	\$952,511.00	\$ 858,714.00
District's covered employee payroll	\$242,440.88	\$ 254,417.89
District's proportionate share of the net pension liability as percentage of it's covered employee payroll	393%	338%
Plan fiduciary net position as a percentage of the total pension liability	64.87%	68.27%

* The amounts present for each fiscal year were determined as of June 30.

Notes to the Schedule:

Only two years are presented because 10 year data is not yet available.

BERRYHILL FIRE PROTECTION DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2017

<u>Oklahoma Firefighters Pension and Retirement Plan (OFPRS)</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Statutorily required contribution	\$ 31,235.51	\$ 30,947.00
Contributions related to the statutorily required contributions (does not include State contributions)	\$ 31,235.51	\$ 30,947.00
District's covered employee payroll	\$ 242,440.88	\$ 254,417.89
Contributions as a percentage of covered employee payroll	12.88%	12.16%

* The amounts present for each fiscal year were determined as of June 30, 2016

Notes to the Schedule:

Only two years are presented because 10 year data is not yet available.



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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 the accompanying financial statements of the governmental activities of Berryhill Fire Protection District, which collectively comprise the basic financial statements of the Berryhill Fire Protection District, as of June 30, 2017. 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 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 material weaknesses. However, material weaknesses may exist that have not been identified.

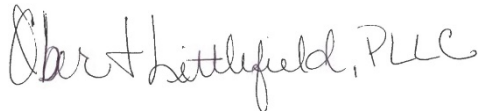
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Berryhill 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*.

Honorable Chairman and Board of Directors
Berryhill Fire Protection District
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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

DECEMBER 11, 2017