

**LIMESTONE FIRE PROTECTION DISTRICT
CLAREMORE, OKLAHOMA**

FINANCIAL STATEMENTS AND AUDITOR REPORTS

FISCAL YEAR ENDED JUNE 30, 2012

Audited by

**SANDERS, BLEDSOE & HEWETT
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

BROKEN ARROW, OK

**LIMESTONE FIRE PROTECTION DISTRICT
BOARD OF DIRECTORS
JUNE 30, 2012**

Chairman

Edward Bell

Clerk

Christopher Lewis

Treasurer

Imogene Smith

Members

Paul Wee

James D Ryan

**Limestone Fire Protection District
Claremore, Oklahoma**

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June 30, 2012

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SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Limestone Fire Protection District
Claremore, Oklahoma

We have audited the accompanying financial statements of the business-type activities of the Limestone Fire Protection District (the District), Claremore, Oklahoma, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note B, the District prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business-type activities of the District as of June 30, 2012, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note B.

In accordance with Government Auditing Standards, we have also issued our report dated July 23, 2014 on our consideration of the District's internal control over financial reporting and our

tests of its compliance with certain provisions of laws, regulations, contracts grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

The budgetary comparison information on page 14 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Management has elected to omit the Management Discussion and Analysis, which is considered required supplementary information that is normally subjected to auditing procedures. Due to this omission, the usefulness and accessibility of the financial statements are limited to the District's management. The omission of this information does not affect the opinion expressed on the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note A.

A handwritten signature in black ink that reads "Sanders, Bledsoe & Hewett". The script is cursive and somewhat stylized.

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

July 23, 2014



SANDERS, BLEDSOE & HEWETT

CERTIFIED PUBLIC ACCOUNTANTS, LLP

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Board of Directors
Limestone Fire Protection District
Claremore, Oklahoma

We have audited the financial statements - cash basis of the Limestone Fire Protection District (the District), Claremore, Oklahoma, as of and for the year ended June 30, 2012, which have been prepared on another comprehensive basis of accounting, and have issued our report thereon dated July 23, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's cash basis financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of cash basis 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 that are required to be reported under *Government Auditing Standards*.

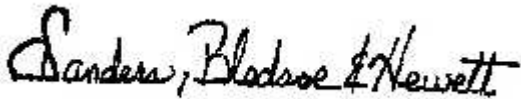
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the cash basis financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's

ability to record, process, summarize and report financial data consistent with the assertions of management in the cash basis financial statements. This reportable condition is described in the accompanying schedule of audit results as item 12-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the cash basis financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that item 12-1 is not a material weakness.

This report is intended solely for the information and use of the Board of Directors and management of the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Sanders, Bledsoe & Hewett".

Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

July 23, 2014

LIMESTONE FIRE PROTECTION DISTRICT
CLAREMORE, OKLAHOMA
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS
JUNE 30, 2012

Lack of Segregation of Duties

The exception that there were inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available which prevented a proper segregation of accounting functions and which was necessary in order to assure adequate internal accounting controls continued in the current fiscal year.

LIMESTONE FIRE PROTECTION DISTRICT
CLAREMORE, OKLAHOMA
SCHEDULE OF AUDIT RESULTS, FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

Section 1 – Summary of Auditor’s Results:

1. An unqualified opinion was issued on the financial statements with respect to the basis of accounting used.
2. The audit disclosed a reportable condition in the internal controls, item 12-1, which was not considered to be a material weakness.
3. The audit disclosed no instances of noncompliance which are material to the financial statements.

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

12-1 – Lack of Segregation of Duties

Condition-

The inherent limitations resulting from a small number of employees performing functions that would normally be divided among employees were a larger number available prevent a proper segregation of accounting functions, which is necessary in order to assure adequate internal accounting controls.

Criteria-

An organization should ensure that there is a proper segregation of duties regarding cash collections and the payment of expenses.

Cause-

The District is not large enough to justify the hiring of additional personnel.

Effect-

There is always the possibility that not all collections are actually receipted or deposited, and the possibility that funds expended are not used for actual District obligations.

Recommendation-

The current procedures should not be changed. However, there should be additional personnel instilled into the collection, receipt, deposit, reconciliation and payment procedures when this becomes economically possible.

Response-

Additional personnel will be hired when the actual funds are available.

LIMESTONE FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2012

ASSETS

Current assets:

Cash	\$ 302,036
Payroll account	117,819
Investments	554,973
Total current assets	<u>974,828</u>

Noncurrent assets:

Restricted cash and cash equivalents	8,286
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Capital assets:

Fire protection fixed assets	4,235,900
Less: Accumulated depreciation	<u>(2,560,957)</u>
Total noncurrent assets	<u>1,683,229</u>

Total Assets	<u>2,658,057</u>
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LIABILITIES

Current liabilities:

Current portion of long-term debt	130,935
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Noncurrent liabilities:

Long-term capital leases	<u>708,391</u>
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Total Liabilities	<u>839,326</u>
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NET ASSETS

Invested in capital assets, net of related debt	835,617
Unrestricted	<u>983,114</u>

Total Net Assets	<u>\$ 1,818,731</u>
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The accompanying notes are an integral part of these financial statements.

LIMESTONE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Operating Revenues:	
Special assessment taxes	\$ 902,817
Refunds and reimbursements	1,709
Sale of unused equipment	40
Insurance claims	7,203
Donations	3,582
Total operating revenues	<u>915,351</u>
Operating Expenses:	
Dispatching	28,752
Utilities	12,252
Parts and supplies	13,949
Vehicles - gas, oil and propane	13,827
Telephone	5,235
Office supplies	1,487
Insurance	67,673
Professional fees	408
Dues, fees and memberships	576
Payroll	125,000
Advertising	666
Repairs and maintenance	44,899
Depreciation	221,528
Training fees	4,881
Miscellaneous	9,799
Equipment	17,936
Rent	3,029
Total expenses from operations	<u>571,897</u>
Operating Income (Loss)	343,454
Non-Operating Revenues (Expenses):	
Interest income	2,072
Grant proceeds	4,413
Interest paid on long-term debt	(51,107)
Total Non-Operating Revenues (Expenses)	<u>(44,622)</u>
Changes in Net Assets	298,832
Total Net Assets, beginning of period	<u>1,519,899</u>
Total Net Assets, end of period	<u><u>\$ 1,818,731</u></u>

The accompanying notes are an integral part of the financial statements

LIMESTONE FIRE PROTECTION DISTRICT
STATEMENT OF CASH FLOWS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities:	
Receipts from tax collections	\$ 902,817
Payments to vendors	(350,369)
Refunds and other operating inflows	12,534
Net Cash Provided by Operating Activities	<u>564,982</u>
Cash Flows from Investing Activities:	
Capital assets purchased	(188,711)
Interest on investments	2,072
Net Cash Provided by Investing Activities	<u>(186,639)</u>
Cash Flows from Financing Activities:	
Grants received	4,413
Interest expenses on debt	(51,107)
Principal payments on debt	(132,490)
Net Cash Provided by Financing Activities	<u>(179,184)</u>
Net increase (decrease) in cash and cash equivalents	199,159
Cash & cash equivalents, beginning of period	<u>783,954</u>
Cash & cash equivalents, end of period	<u><u>\$ 983,113</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 343,454
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	<u>221,528</u>
Net Cash Provided by Operating Activities	<u><u>\$ 564,982</u></u>

The accompanying notes are an integral part of the financial statements

Limestone Fire Protection District
Claremore, Oklahoma
Notes to the Financial Statements
June 30, 2012

Note A – Organization

The Limestone Fire Protection District (the District) was created on March 31, 1980, by the County Commissioners of Rogers County, State of Oklahoma. The District's operations consist of fire protection to the constituents in its fire district area.

Note B – Significant Accounting Policies

These financial statements have been prepared on the cash basis of accounting. Under the cash basis of accounting, revenues are recorded when received instead of when susceptible to accrual or when earned. Expenditures are recorded when paid rather than when obligations are incurred. This basis is not in compliance with generally accepted accounting principles.

Cash

The District had the following cash accounts at June 30, 2012:

International Bank of Commerce (privileged account) – unrestricted	\$ 301,936
International Bank of Commerce (savings account) – restricted	8,285
International Bank of Commerce (payroll account) – unrestricted	<u>117,819</u>
Total	<u>\$ 428,040</u>

Investments

Investments at June 30, 2012, are detailed as follows:

International Bank of Commerce - Oklahoma City, Oklahoma:	
Certificate of Deposit No. 1602190267	\$ 21,679
Certificate of Deposit No. 1602190275	21,679
Certificate of Deposit No. 1602224005	105,959
Certificate of Deposit No. 1602232778	100,000
Certificate of Deposit No. 1602279806	100,625
Certificate of Deposit No. 1602257000	102,515
Certificate of Deposit No. 1602257019	51,258
Certificate of Deposit No. 1602257027	<u>51,258</u>
Total	<u>\$ 554,973</u>

Limestone Fire Protection District
Claremore, Oklahoma
Notes to the Financial Statements
June 30, 2012

Restricted Assets

The District, based on certain loan agreements, is required to fund and maintain prescribed amounts of cash that can be used only to service outstanding debt and unforeseen contingencies. The requirements of the debt retirement reserves as mandated in the loan agreements are as follows:

Monthly Deposit Required	Maximum Required Balance	Balance June 30, 2012
<u>\$ 1,129</u>	<u>5,484</u>	<u>8,285</u>

Federal Income Tax, Employee Benefit and Retirement Plans

The District is a volunteer fire department, pays federal and state income taxes and employee benefits on its 4 employees but currently does not have a retirement plan for them.

Collateral Pledged

It appears that all District funds were adequately secured by the Federal Deposit Insurance Corporation and additional collateral pledged by the account institutions at June 30, 2012.

Fixed Assets

Fixed assets are valued at cost, and depreciation is computed by the use of the straight-line method. The estimated useful lives of these assets are detailed as follows:

Land	0 years
Building	30 years
Equipment	7 years

Limestone Fire Protection District
 Claremore, Oklahoma
 Notes to the Financial Statements
 June 30, 2012

Note C – Insurance Coverage

The District maintained adequate insurance coverage for the 2011-12 fiscal year. Coverage includes auto liability and damage, property, inland/marine, comprehensive general liability, errors and omissions, employment liability and employment dishonesty and crime.

Note D - Long-term Debt

Long-term debt as of June 30, 2012, is summarized as follows:

Lease purchase 3338062, Kansas State Bank, payable in annual installments of \$40,139.74 through September 2014	\$ 74,426
Lease purchase 3338469, Kansas State Bank, payable in annual installments of \$29,082.08 through January 2019	168,891
Lease purchase 3341810, Kansas State Bank, payable in annual installments of \$48,930.80 through September 2019	303,862
Lease purchase, 3339035, Kansas State Bank, payable in annual installments of \$57,208.78 through September 2017	<u>292,147</u>
Total	839,326
Less current portion	<u>(130,935)</u>
Net long-term debt at June 30, 2012	<u>\$ 708,391</u>

Long-term debt maturities for the succeeding years are as follows:

<u>Fiscal Year</u>	<u>Principal Paid</u>
2012–13	130,935
2013–14	137,758
2014–15	104,800
2015–16	110,271
Thereafter	<u>35,562</u>
Total	<u><u>839,326</u></u>

LIMESTONE FIRE PROTECTION DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 - BUDGET AND ACTUAL - CASH BASIS
 FOR YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:				
Special assessment taxes	\$ 803,250	803,250	902,817	99,567
Grants	3,000	3,000	4,413	1,413
Donations/reimbursements	3,725	3,725	5,291	-
Miscellaneous	100	100		(100)
Insurance claims			7,203	7,203
Billable runs	1,000	1,000		(1,000)
Sale of equipment			40	40
Interest on investments	4,000	4,000	2,072	(1,928)
Total revenues	<u>815,075</u>	<u>815,075</u>	<u>921,836</u>	<u>105,195</u>
Expenditures:				
Payroll	140,336	133,336	125,000	8,336
Tags	150	150		150
Contract labor				-
Maintenance and repair	44,975	44,975	44,899	76
Insurance	73,215	80,215	67,673	12,542
Parts & supplies	8,200	8,200	15,436	(7,236)
Dispatching	18,000	18,000	28,752	(10,752)
Training	10,000	10,000	4,881	5,119
Professional fees	18,420	18,420	408	18,012
Utilities and telephone	19,085	19,085	17,487	1,598
Fuel & propane	21,000	21,000	13,827	7,173
Debt service	212,859	212,859		212,859
Shipping & freight	3,000	3,000		3,000
Advertising	3,000	3,000	666	2,334
Equipment	236,430	236,430	17,936	218,494
Miscellaneous	2,400	2,400	9,799	(7,399)
Rent	3,705	3,705	3,029	676
Dues, fees and memberships	300	300	576	(276)
Capital outlay				-
Interest on debt			51,107	(51,107)
Deprectiation			221,528	(221,528)
Total expenditures	<u>815,075</u>	<u>815,075</u>	<u>623,004</u>	<u>192,071</u>
Excess of revenues over (under) expenditures	-	-	298,832	297,266
Fund balance, beginning of period	<u>637,916</u>	<u>592,212</u>	<u>1,519,899</u>	<u>927,687</u>
Fund balance, end of period	<u>\$ 637,916</u>	<u>592,212</u>	<u>1,818,731</u>	<u>1,224,953</u>

The accompanying notes to the financial statements are an integral part of this statement

LIMESTONE FIRE PROTECTION DISTRICT
BALANCE SHEET - CASH BASIS
JUNE 30, 2012

	JUNE 30,	
	2012	(memo only) 2011
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 302,036	200,367
Payroll account	117,819	102,051
Investments	554,973	473,370
Total current assets	<u>974,828</u>	<u>775,788</u>
Restricted Assets:		
Savings	<u>8,286</u>	<u>8,166</u>
Fixed Assets:		
Land and improvements	108,538	108,538
Buildings	603,504	603,504
Equipment and tools	3,523,858	3,335,147
Total fixed assets	<u>4,235,900</u>	<u>4,047,189</u>
Less: Accumulated depreciation	<u>(2,560,957)</u>	<u>(2,339,429)</u>
Total fixed assets (net)	<u>1,674,943</u>	<u>1,707,760</u>
Total Assets	<u>\$ 2,658,057</u>	<u>2,491,714</u>
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities:		
Current maturities of long-term debt	\$ 130,935	132,476
Long-Term Debt, less current maturities	<u>708,391</u>	<u>839,339</u>
Total Liabilities	<u>839,326</u>	<u>971,815</u>
Equity:		
Retained earnings	<u>1,818,731</u>	<u>1,519,899</u>
Total Liabilities and Equity	<u>\$ 2,658,057</u>	<u>2,491,714</u>

LIMESTONE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	2011-12	(memo only) 2010-11
Revenue from operations:		
Special assessment taxes	\$ 902,817	737,712
Refunds and reimbursements	1,709	3,145
Fire run fees	0	5
Sale of unused equipment	40	151
Insurance	7,203	2,830
Donations	3,582	2,454
Miscellaneous	0	2
Total revenue from operations	<u>915,351</u>	<u>746,299</u>
Expenses from operations:		
Dispatching	28,752	16,739
Utilities	12,252	13,516
Parts and supplies	13,949	53,709
Vehicles - gas, oil and propane	13,827	37,462
Telephone	5,235	5,500
Office supplies	1,487	2,016
Insurance	67,673	67,894
Professional fees	408	7,094
Dues, fees and memberships	576	316
Payroll	125,000	125,000
Repairs and maintenance	44,899	34,476
Depreciation	221,528	234,896
Advertising	666	733
Training fees	4,881	6,479
Contract labor	0	375
Miscellaneous	9,799	16,701
Equipment	17,936	16,565
Rent	3,029	3,328
Total expenses from operations	<u>571,897</u>	<u>642,799</u>
Net income (loss) from operations	343,454	103,500
Non-operating revenue:		
Interest earnings	2,072	5,535
State of Oklahoma - Forestry grant	4,413	4,398
Total non-operating revenue	<u>6,485</u>	<u>9,933</u>
Non-operating expenses:		
Interest on debt	<u>(51,107)</u>	<u>(57,730)</u>
Net income (loss)	298,832	55,703
Retained earnings, beginning of period	<u>1,519,899</u>	<u>1,464,196</u>
Retained earnings, end of period	<u><u>\$ 1,818,731</u></u>	<u><u>1,519,899</u></u>