

**LIMESTONE FIRE PROTECTION DISTRICT
CLAREMORE, OKLAHOMA**

FINANCIAL STATEMENTS AND AUDITOR REPORTS

FISCAL YEAR ENDED JUNE 30, 2011

Audited by

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

BROKEN ARROW, OK

**LIMESTONE FIRE PROTECTION DISTRICT
BOARD OF DIRECTORS
JUNE 30, 2011**

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, 2011

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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, 2011, 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, 2011, 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 October 26, 2012, 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.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

October 26, 2012



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, 2011, which have been prepared on another comprehensive basis of accounting, and have issued our report thereon dated October 26, 2012. 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 11-1.

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 11-1 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.



Sanders, Bledsoe & Hewett
Certified Public Accountants, LLP

October 26, 2012

LIMESTONE FIRE PROTECTION DISTRICT
CLAREMORE, OKLAHOMA
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS
JUNE 30, 2011

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, 2011

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 10-1, 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:

11-1 – 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, 2011

ASSETS

Current assets:	
Cash	\$ 200,367
Payroll account	102,051
Investments	<u>473,370</u>
Total current assets	<u>775,788</u>
Noncurrent assets:	
Restricted cash and cash equivalents	8,166
Capital assets:	
Fire protection fixed assets	4,047,189
Less: Accumulated depreciation	<u>(2,339,429)</u>
Total noncurrent assets	<u>1,715,926</u>
Total Assets	<u>2,491,714</u>

LIABILITIES

Current liabilities:	
Current portion of long-term debt	132,476
Noncurrent liabilities:	
Long-term capital leases	<u>839,339</u>
Total Liabilities	<u>971,815</u>

NET ASSETS

Invested in capital assets, net of related debt	735,945
Unrestricted	<u>783,954</u>
Total Net Assets	<u>\$ 1,519,899</u>

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

LIMESTONE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Operating Revenues:	
Special assessment taxes	\$ 737,712
Fire runs	5
Refunds and reimbursements	3,145
Sale of unused equipment	151
Insurance claims	2,830
Donations	2,454
Miscellaneous	2
Total operating revenues	746,299
Operating Expenses:	
Dispatching	16,739
Utilities	13,516
Parts and supplies	53,709
Vehicles - gas, oil and propane	37,462
Telephone	5,500
Office supplies	2,016
Insurance	67,894
Professional fees	7,094
Dues, fees and memberships	316
Payroll	125,000
Advertising	733
Repairs and maintenance	34,476
Depreciation	234,896
Training fees	6,479
Contract labor	375
Miscellaneous	16,701
Equipment	16,565
Rent	3,328
Total expenses from operations	642,799
Operating Income (Loss)	103,500
Non-Operating Revenues (Expenses):	
Interest income	5,535
Grant proceeds	4,398
Interest paid on long-term debt	(57,730)
Total Non-Operating Revenues (Expenses)	(47,797)
Changes in Net Assets	55,703
Total Net Assets, beginning of period	1,464,196
Total Net Assets, end of period	\$ 1,519,899

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, 2011

Cash Flows from Operating Activities:	
Receipts from tax collections	\$ 737,712
Payments to vendors	(407,903)
Refunds and other operating inflows	<u>8,587</u>
Net Cash Provided by Operating Activities	<u>338,396</u>
Cash Flows from Investing Activities:	
Capital assets purchased	(147,873)
Interest on investments	<u>5,535</u>
Net Cash Provided by Investing Activities	<u>(142,338)</u>
Cash Flows from Financing Activities:	
Grants received	4,398
Interest expenses on debt	(57,730)
Principal payments on debt	<u>(127,867)</u>
Net Cash Provided by Financing Activities	<u>(181,199)</u>
Net increase (decrease) in cash and cash equivalents	14,859
Cash & cash equivalents, beginning of period	<u>769,095</u>
Cash & cash equivalents, end of period	<u>\$ 783,954</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 103,500
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	<u>234,896</u>
Net Cash Provided by Operating Activities	<u>\$ 338,396</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, 2011

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, 2011:

International Bank of Commerce (privileged account) – unrestricted	\$ 200,267
International Bank of Commerce (savings account) – restricted	8,166
International Bank of Commerce (payroll account) – unrestricted	<u>102,051</u>
Total	\$ <u>310,484</u>

Investments

Investments at June 30, 2011, are detailed as follows:

International Bank of Commerce - Oklahoma City, Oklahoma:	
Certificate of Deposit No. 1602190259	\$ 21,625
Certificate of Deposit No. 1602190267	21,625
Certificate of Deposit No. 1602190275	21,625
Certificate of Deposit No. 1602224005	105,195
Certificate of Deposit No. 1602279806	100,000
Certificate of Deposit No. 1602257000	101,650
Certificate of Deposit No. 1602257019	50,825
Certificate of Deposit No. 1602257027	<u>50,825</u>
Total	\$ <u>473,370</u>

**Limestone Fire Protection District
Claremore, Oklahoma**

Notes to the Financial Statements
June 30, 2011

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:

<u>Monthly Deposit Required</u>	<u>Maximum Required Balance</u>	<u>Balance June 30, 2011</u>
\$ <u>1,129</u>	<u>5,484</u>	<u>8,166</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, 2011.

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, 2011

Note C – Insurance Coverage

The District maintained adequate insurance coverage for the 2010-11 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, 2011, is summarized as follows:

Note 01-050470-2 at 5 percent, GMAC, payable in monthly installments of \$853 through April 2012	\$ 8,036
Lease purchase 3338062, Kansas State Bank, payable in annual installments of \$40,139.74 through September 2014	108,904
Lease purchase 3338469, Kansas State Bank, payable in annual installments of \$29,082.08 through January 2019	188,726
Lease purchase 3341810, Kansas State Bank, payable in annual installments of \$48,930.80 through September 2019	332,827
Lease purchase, 3339035, Kansas State Bank, payable in annual installments of \$57,208.78 through September 2017	<u>333,323</u>
Total	971,816
Less current portion	<u>(132,476)</u>
Net long-term debt at June 30, 2011	<u>\$ 839,340</u>

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

<u>Fiscal Year</u>	<u>Principal Paid</u>
2011–12	132,476
2012–13	130,935
2013–14	137,758
2014–15	104,800
Thereafter	<u>465,847</u>
Total	<u>\$ 971,816</u>

LIMESTONE FIRE PROTECTION DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 - BUDGET AND ACTUAL - GENERAL FUND - CASH BASIS
 FOR YEAR ENDED JUNE 30, 2011

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
Revenues:				
Special assessment taxes	\$ 763,600	735,044	737,712	2,668
Grants	3,000	4,398	4,398	-
Donations/reimbursements	3,720	5,173	5,599	-
Miscellaneous	100	180	2	(178)
Insurance claims			2,830	2,830
Billable runs	1,000		5	5
Sale of equipment			151	151
Interest on investments	4,000	7,072	5,535	(1,537)
Total revenues	<u>775,420</u>	<u>751,867</u>	<u>756,232</u>	<u>3,939</u>
Expenditures:				
Payroll	139,650	68,682	125,000	(56,318)
Tags	50			-
Contract labor			375	(375)
Maintenance and repair	40,600	25,233	34,476	(9,243)
Insurance	72,675	21,660	67,894	(46,234)
Parts & supplies	7,500	6,055	55,725	(49,670)
Dispatching	18,000	13,500	16,739	(3,239)
Training	10,000	1,475	6,479	(5,004)
Professional fees	18,700	7,928	7,094	834
Utilities and telephone	17,000	14,208	19,016	(4,808)
Fuel & propane	19,600	15,304	37,462	(22,158)
Debt service	185,610	142,899		142,899
Shipping & freight	1,000	1,919		1,919
Advertising	3,000		733	(733)
Equipment	233,535	130,306	16,565	113,741
Miscellaneous	2,000	3,986	16,701	(12,715)
Rent	1,150	948	3,328	(2,380)
Dues, fees and memberships	350	46	316	(270)
Capital outlay	5,000	42		42
Interest on debt			57,730	(57,730)
Depreciation			234,896	(234,896)
Total expenditures	<u>775,420</u>	<u>454,191</u>	<u>700,529</u>	<u>(246,338)</u>
Excess of revenues over (under) expenditures	-	297,676	55,703	(242,399)
Fund balance, beginning of period	<u>566,212</u>	<u>637,916</u>	<u>1,464,196</u>	<u>826,280</u>
Fund balance, end of period	<u>\$ 566,212</u>	<u>935,592</u>	<u>1,519,899</u>	<u>583,881</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, 2011

	JUNE 30,	
	2011	(memo only) 2010
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 200,367	195,938
Payroll account	102,051	92,182
Investments	473,370	472,832
Total current assets	775,788	760,952
Restricted Assets:		
Savings	8,166	8,143
Fixed Assets:		
Land and improvements	108,538	108,538
Buildings	603,504	603,504
Equipment and tools	3,335,147	3,187,274
Total fixed assets	4,047,189	3,899,316
Less: Accumulated depreciation	(2,339,429)	(2,104,533)
Total fixed assets (net)	1,707,760	1,794,783
Total Assets	\$ 2,491,714	2,563,878
 <u>LIABILITIES AND EQUITY</u>		
Current Liabilities:		
Current maturities of long-term debt	\$ 132,476	127,868
Long-Term Debt, less current maturities	839,339	971,814
Total Liabilities	971,815	1,099,682
Equity:		
Retained earnings	1,519,899	1,464,196
Total Liabilities and Equity	\$ 2,491,714	2,563,878

LIMESTONE FIRE PROTECTION DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>2010-11</u>	<u>(memo only)</u> <u>2009-10</u>
Revenue from operations:		
Special assessment taxes	\$ 737,712	769,851
Refunds and reimbursements	3,145	1,619
Fire run fees	5	777
Sale of unused equipment	151	3,329
Insurance	2,830	0
Donations	2,454	2,462
Miscellaneous	<u>2</u>	<u>1,509</u>
Total revenue from operations	<u>746,299</u>	<u>779,547</u>
Expenses from operations:		
Dispatching	16,739	18,000
Utilities	13,516	12,017
Parts and supplies	53,709	46,090
Vehicles - gas, oil and propane	37,462	12,235
Telephone	5,500	6,114
Office supplies	2,016	2,773
Insurance	67,894	72,081
Professional fees	7,094	12,739
Dues, fees and memberships	316	655
Payroll	125,000	150,000
Repairs and maintenance	34,476	32,403
Depreciation	234,896	188,046
Advertising	733	197
Training fees	6,479	12,235
Contract labor	375	14,770
Miscellaneous	16,701	12,081
Equipment	16,565	4,742
Rent	<u>3,328</u>	<u>3,440</u>
Total expenses from operations	<u>642,799</u>	<u>600,618</u>
Net income (loss) from operations	103,500	178,929
Non-operating revenue:		
Interest earnings	5,535	8,738
State of Oklahoma - Forestry grant	<u>4,398</u>	<u>69,386</u>
Total non-operating revenue	<u>9,933</u>	<u>78,124</u>
Non-operating expenses:		
Interest on debt	<u>(57,730)</u>	<u>(40,898)</u>
Net income (loss)	55,703	216,155
Retained earnings, beginning of period	<u>1,464,196</u>	<u>1,248,041</u>
Retained earnings, end of period	<u>\$ 1,519,899</u>	<u>1,464,196</u>