

**LIMESTONE FIRE PROTECTION DISTRICT
CLAREMORE, OKLAHOMA**

FINANCIAL STATEMENTS AND AUDITOR REPORTS

FISCAL YEAR ENDED JUNE 30, 2019

Audited by

**BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

BROKEN ARROW, OK

**LIMESTONE FIRE PROTECTION DISTRICT
BOARD OF DIRECTORS
JUNE 30, 2019**

Chairman

Rick Phelps

Clerk

Christopher Lewis

Treasurer

Edward Bell

Members

Edwin Averill

Imogene Smith

Limestone Fire Protection District

Claremore, Oklahoma

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June 30, 2019

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BLEDSON, HEWETT & GULLEKSON
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Limestone Fire Protection District
Claremore, Oklahoma

Report on Financial Statements

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, 2019 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 involves performing procedures to obtain audit 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 District'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 District'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 we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

As discussed in Note B, the District prepares its financial statements on the cash receipts and disbursements basis of accounting, 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, 2019, 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.

Other Matters

The District 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 (GASB), 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. Our opinion on the basic financial statements is not affected by this missing information.

The prior year "memorandum only" comparative information is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on 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.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

September 17, 2021



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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**

Board of Directors
Limestone Fire Protection District
Claremore, Oklahoma

We have audited, 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, the financial statements - cash basis of the Limestone Fire Protection District (the District), Claremore, Oklahoma, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which have been prepared on another comprehensive basis of accounting, and have issued our report thereon dated September 17, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting in order to determine our auditing procedures that are appropriate for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in the internal controls, described in the accompanying schedule of audit results as item 19-1, which is not considered a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the District's 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 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*.

The District's response to the findings identified in our audit is described in the accompanying schedule of audit results. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bledsoe, Hewett & Gullekson

Bledsoe, Hewett & Gullekson
Certified Public Accountants, PLLLP

September 17, 2021

LIMESTONE FIRE PROTECTION DISTRICT
CLAREMORE, OKLAHOMA
DISPOSITION OF PRIOR YEAR'S REPORTABLE CONDITIONS
JUNE 30, 2019

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, 2019

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion was issued on the financial statements with respect to the basis of accounting used.
2. The audit disclosed a significant deficiency in the internal controls, item 19-1, 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:

19-1 – 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 office 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 office personnel will be hired when the actual funds are available.

**LIMESTONE FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2019**

	June 30,	
	<u>2019</u>	<u>-Memorandum- -Only- 2018</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 1,571,304	1,309,124
Investments	812,575	805,426
Total current assets	<u>2,383,879</u>	<u>2,114,550</u>
Noncurrent assets:		
Restricted cash	11,545	10,534
Capital assets:		
Land	108,538	108,538
Buildings and grounds	975,298	975,298
Vehicles and equipment	6,357,355	6,135,925
Less: Accumulated depreciation	<u>(4,378,162)</u>	<u>(4,037,672)</u>
Total noncurrent assets	<u>3,074,574</u>	<u>3,192,623</u>
Total Assets	<u>\$ 5,458,453</u>	<u>5,307,173</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Current portion of long-term debt	\$ 195,211	257,897
Noncurrent liabilities:		
Long-term capital leases	<u>917,693</u>	<u>1,112,903</u>
Total Liabilities	<u>1,112,904</u>	<u>1,370,800</u>
 <u>NET POSITION</u>		
Net investment in capital assets	1,950,125	1,811,289
Restricted	11,545	10,534
Unrestricted	<u>2,383,879</u>	<u>2,114,550</u>
Total Net Position	<u>4,345,549</u>	<u>3,936,373</u>
Total Liabilities and Net Position	<u>\$ 5,458,453</u>	<u>5,307,173</u>

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

**LIMESTONE FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2018-19</u>	<u>-Memorandum- -Only- 2017-18</u>
Operating Revenues:		
Special assessment taxes	\$ 1,280,472	1,246,271
Insurance claims	0	1,705
Donations and reimbursements	0	3,581
Tuition	0	2,000
Misc	38,696	0
Total operating revenues	<u>1,319,168</u>	<u>1,253,557</u>
Operating Expenses:		
Dispatching	18,100	18,000
Utilities	19,493	19,999
Parts and supplies	27,081	23,733
Vehicles - gas, oil and propane	24,441	25,590
Telephone	7,074	3,159
Office supplies	1,107	4,340
Insurance	105,583	103,704
Professional fees	13,148	7,341
Dues, fees and memberships	10,037	2,378
Payroll	182,505	189,889
Repairs and maintenance	45,019	81,198
Depreciation	340,490	313,317
Training fees	690	1,425
Advertising	29	0
Miscellaneous	78,082	3,585
Equipment	0	98,551
Rent	1,960	2,816
Total expenses from operations	<u>874,839</u>	<u>899,025</u>
Operating Income (Loss)	444,329	354,532
Non-Operating Revenues (Expenses):		
Interest income	8,437	4,775
Grant proceeds	3,500	3,744
Sale of equipment	0	27,061
Interest paid on long-term debt	(47,090)	(21,419)
Total Non-Operating Revenues (Expenses)	<u>(35,153)</u>	<u>14,161</u>
Changes in Net Position	409,176	368,693
Total Net Position, beginning of period	<u>3,936,373</u>	<u>3,567,680</u>
Total Net Position, end of period	<u>\$ 4,345,549</u>	<u>3,936,373</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, 2019**

	<u>2018-19</u>	<u>-Memorandum- -Only- 2017-18</u>
Cash Flows from Operating Activities:		
Receipts from tax collections	\$ 1,280,472	1,246,271
Refunds and other operating inflows	38,696	7,286
Payments to vendors	(351,844)	(395,819)
Payments to employees	(182,505)	(189,889)
Net Cash Provided by Operating Activities	<u>784,819</u>	<u>667,849</u>
Cash Flows from Investing Activities:		
Investments (purchased) liquidated	(7,148)	(203,533)
Interest earnings	8,437	4,775
Net Cash Provided by Investing Activities	<u>1,289</u>	<u>(198,758)</u>
Cash Flows from Capital and Related Financing Activities:		
Grants received	3,500	3,744
Lease-purchase proceeds	0	975,000
Capital assets purchased (sold)	(221,430)	(1,307,047)
Interest expenses on debt	(47,090)	(21,419)
Principal payments on debt	(257,897)	(151,717)
Net Cash Provided by Capital and Related Financing Activities	<u>(522,917)</u>	<u>(501,439)</u>
Net increase (decrease) in cash and cash equivalents	263,191	(32,348)
Cash & cash equivalents, beginning of period	<u>1,319,658</u>	<u>1,352,006</u>
Cash & cash equivalents, end of period	<u>\$ 1,582,849</u>	<u>1,319,658</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 444,329	354,532
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	<u>340,490</u>	<u>313,317</u>
Net Cash Provided by Operating Activities	<u>\$ 784,819</u>	<u>667,849</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, 2019

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 and receives ad valorem (property) tax revenue to fund its operations.

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 RCB Bank at June 30, 2019:

Operating account - unrestricted	\$ 1,543,571
Payroll account - unrestricted	27,633
Emergency account - restricted	<u>11,545</u>
Total	<u><u>\$ 1,582,749</u></u>

Investments

On March 15, 2018, the District transferred \$200,000 from the Operating account to purchase one \$200,000 certificate of deposit, bringing their total certificates of deposit to seven. Five of these CDs are 12 month maturities and two are 18 month maturities. The ending amount of these investments at June 30, 2020 is \$812,575.

Bank Assets

Oklahoma Statutes authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

Limestone Fire Protection District
Claremore, Oklahoma
Notes to the Financial Statements
June 30, 2019

Bank deposits are held at several financial institutions and are carried at cost. For purposes of statements of cash flows, the District considers cash and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Custodial Credit Risk - At June 30, 2019 the District held deposits of approximately \$2,395,324 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

Fair Value of Financial Instruments – The District's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and notes payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair values because of the short maturity of these instruments.

Federal Income Tax, Employee Benefit and Retirement Plans

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

Memorandum Totals

The "Memorandum Only" captions above the total columns mean that amounts are presented for overview information purposes only.

Insurance Coverage

The District maintained adequate insurance coverage for the 2018-19 fiscal year. Coverage includes auto liability and damage, property, inland/marine, comprehensive general liability, errors and omissions, employment liability and employment dishonesty and crime.

Capital Assets

Any items purchased or constructed in excess of \$1,000 and a useful life of over two years is considered a capital (fixed) asset by the District and will be depreciated over a specific time. Capital assets are valued at cost, depreciation is computed by use of the straight-line method.

Limestone Fire Protection District
Claremore, Oklahoma
Notes to the Financial Statements
June 30, 2019

The estimated useful lives of these assets are detailed as follows:

Land	0 years
Building and grounds	30 years
Equipment and vehicles	7-15 years

The capital asset information for the District is shown below:

	7/1/2018 Amount	Additions	Deletions	6/30/2019 Amount
Land	\$ 108,538	-	-	108,538
Building and grounds	975,298	-	-	975,298
Equipment and vehicles	6,135,925	221,430	-	6,357,355
Less: Accumulated Depreciation	(4,037,672)	(340,490)	-	(4,378,162)
Total	<u>\$ 3,182,089</u>	<u>(119,060)</u>	<u>-</u>	<u>3,063,029</u>

Note C - Long-term Debt

The District is indebted to the Kansas State Bank on six lease-purchase notes obtained to finance equipment and system improvements. The notes are secured by system revenues and property, plant and equipment. Long-term debt at June 30, 2019 is summarized as follows:

1) Lease purchase dated 9/9/09, totaling \$346,218, payable in annual installments of \$48,930.80, through September 2019	\$ 46,169
2) Lease purchase dated 4/1/16, totaling \$321,000, payable in annual installments \$51,639.11, through April 2023	191,673
3) Lease purchase dated 10/1/17, totaling \$600,000, payable in annual installments \$71,781.65, through October 2027	548,618
4) Lease purchase dated 2/1/18, totaling \$375,000, payable in annual installments \$60,781.05, through February 2025	<u>326,444</u>
Total Long-Term Debt	<u>\$ 1,112,904</u>

Limestone Fire Protection District
Claremore, Oklahoma
Notes to the Financial Statements
June 30, 2019

The estimated maturities for future years, based on the required monthly payments, are detailed as follows:

<u>June 30,</u>	<u>Note 1</u>	<u>Note 2</u>	<u>Note 3</u>	<u>Note 4</u>	<u>Totals</u>
2020	\$ 46,169	45,774	53,129	50,139	195,211
2021	-	47,174	54,935	51,774	153,883
2022	-	48,618	56,803	53,461	158,882
2023	-	50,106	58,734	55,204	164,044
2024	-	-	60,731	57,004	117,735
2025-28	-	-	264,287	58,862	323,149
Total	<u>\$ 46,169</u>	<u>191,672</u>	<u>548,619</u>	<u>326,444</u>	<u>1,112,904</u>

Note D – Subsequent Events

On January 30, 2020, the District filed a lawsuit against the former treasurer to obtain all financial records, from 2013 to 2018, that were kept on her personal property. Some of the financial records were turned over to the District in May 2020, but the District was not able to obtain all the financial records for each fiscal year.

Management has evaluated subsequent events through September 17, 2021, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

LIMESTONE FIRE PROTECTION DISTRICT
CLAREMORE, OKLAHOMA
SCHEDULE OF IMMATERIAL FINDINGS
JUNE 30, 2019

The following section contains immaterial findings relayed to management that are control deficiencies, which we feel need to be communicated to you so appropriate action may be taken to correct these deficiencies. These items are not included in your audit report, as they are not considered material in nature. They are simply observations of some minor findings that could evolve into material findings if not addressed or corrected.

Credit Card Transactions

During the 2018-19 fiscal year, the District paid 11 checks, totaling \$58,698.78, to two credit card companies: Capital One and Elan Bank Card. Of these 10 payments, five (5) checks had no supporting documentation at all (not even a monthly card statement), and the six (6) other payments had a monthly statement included as support and started including itemized receipts as support beginning in January 2019. Not all receipts were provided for expenditures in the months that did have support.

We recommend that every effort be made to match up all items listed on the credit card monthly statement with an itemized receipt. According to the Oklahoma State Auditor's Office, a credit card statement with no itemized listing of items purchased is not considered adequate supporting documentation. It is noted that the current officers of the District reviewed all credit card charges, and did not observe any that were questionable.