

***Monkey Island Fire Protection District***  
Delaware County, Oklahoma

Independent Auditor's Report  
and Financial Statements

June 30, 2022

***Monkey Island Fire Protection District***

Delaware County, Oklahoma

June 30, 2022

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## Independent Auditor's Report

Monkey Island Fire Protection District  
Monkey Island, Oklahoma

Report on the Audit of the Financial Statements

### ***Opinion***

We have audited the accompanying financial statements of Monkey Island Fire Protection District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Monkey Island Fire Protection District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Monkey Island Fire Protection District, as of June 30, 2022, and the respective changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Monkey Island Fire Protection District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Monkey Island Fire Protection District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Monkey Island Fire Protection District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Monkey Island Fire Protection District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2022, on our consideration of the Monkey Island Fire Protection 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 solely 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 effectiveness of the Monkey Island Fire Protection District's 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 Monkey Island Fire Protection District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Hood & Associates, CPAs, PC". The signature is written in a cursive, flowing style.

Hood & Associates CPAs, PC  
July 27, 2022



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

July 27, 2022

Monkey Island Fire Protection District  
Monkey Island, Oklahoma

We have audited the accompanying modified cash basis financial statements of the business-type activities of Monkey Island Fire Protection District, as of and for the year ended June 30, 2022, which collectively comprise the Monkey Island Fire Protection District's basic financial statements and have issued my report thereon dated July 27, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Monkey Island 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 the Monkey Island Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Monkey Island Fire Protection District's internal control.

Our consideration of internal control 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items Finding 2022-1 to be a material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items Finding 2022-1 to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Monkey Island 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.

**Monkey Island Fire Protection District's Response to Findings**

Management will address the options available to allow the district to be able to comply with SAS No. 112.

**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.

*Hood & Associates, CPAs, P.C.*

Hood & Associates CPAs P.C.

***Monkey Island Fire Protection District***

Statement of Net Assets

Modified Cash Basis

June 30, 2022

Assets

*Current Assets:*

Cash and cash equivalents	\$ 957,630.01
Cash held by third parties	<u>98,483.64</u>
Total Current Assets	1,056,113.65

*Noncurrent Assets:*

Cash and cash equivalents – restricted	21,003.22
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*Capital Assets:*

Property and Equipment, net	<u>3,102,269.82</u>
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Total Assets	<u>4,179,386.69</u>
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Liabilities and Fund Net Assets

*Current Liabilities:*

Current Portion of Long Term Liabilities	<u>330,301.00</u>
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*Long Term Liabilities:*

Bonds Payable	1,850,000.00
Leases Payable	<u>654,994.18</u>
Total Long Term Liabilities	<u>2,504,994.18</u>
Total Liabilities	<u>2,835,295.18</u>

Fund Net Assets

Invest in capital assets, net of related debt	266,974.64
Unrestricted	<u>1,077,116.87</u>
Total Fund Net Assets	<u>\$ 1,344,091.51</u>

*The accompanying notes are an integral part of the financial statements.*

***Monkey Island Fire Protection District***  
Statement of Revenues, Expenses and Changes in Net Assets  
Modified Cash Basis  
For the Year Ended June 30, 2022

Changes in Net Assets:

*Operating Revenues:*

AdValorem Taxes	\$ 842,104.31
Sales Tax Revenues	101,750.62
Grant Revenues	8,263.08
Other Income	<u>60,095.00</u>
Total Operating Revenues	<u>1,012,213.01</u>

*Operating Expenses:*

Depreciation	193,387.87
Insurance	48,857.77
Office expense	10,664.02
Other expenses	2,129.26
Payroll expenses	104,959.37
Professional fees	2,811.85
Retirement	73,500.35
Repairs and maintenance	7,061.76
Training	14,307.31
Truck & equipment expense	61,570.88
Uniforms	3,828.14
Utilities	28,128.22
Wages	<u>331,769.39</u>
Total Operating Expenditures	<u>882,976.19</u>

Operating Net Income (Loss)	<u>129,236.82</u>
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*Non-Operating Revenues (Expenses)*

Interest Income	1,804.21
Interest expense	<u>(104,107.75)</u>
Total Non-Operating Revenues (Expenses)	<u>(102,303.54)</u>

Change in Net Assets	26,933.28
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Fund Net Assets - beginning of the year	<u>1,317,158.23</u>
Fund Net Assets - end of the year	<u>\$ 1,344,091.51</u>

*The accompanying notes are an integral part of the financial statement.*

***Monkey Island Fire Protection District***

**Statement of Cash Flows**

**Modified Cash Basis**

**For the Year Ended June 30, 2022**

*Cash Flows from Operating Activities*

Cash inflows:

Payments received from taxes	\$ 943,854.93
Payments received from grants	8,263.08
Received from other sources	<u>60,095.00</u>
Total cash received	<u>1,012,213.01</u>

Cash outflows:

Payments for salaries and benefits	436,728.76
Payments to supplies for goods and services	<u>256,520.81</u>
Total cash used	<u>693,249.57</u>

Net Cash Provided (Used) by Operating Activities	<u>318,963.44</u>
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<i>Cash Flows from Non-Capital Financing Activities</i>	<u>0.00</u>
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*Cash Flows from Capital and Related Financing Activities*

Purchase of Fixed Assets	(22,588.58)
Principal payments on long-term debt	(329,042.25)
Interest expense	<u>(104,107.75)</u>

Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(455,738.58)</u>
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*Cash Flows from Investing Activities*

Interest income received	<u>1,804.21</u>
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Increase (Decrease) in Cash	(134,970.93)
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Cash, Beginning of Year	<u>1,212,087.80</u>
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Cash, End of Year	<u>\$ 1,077,116.87</u>
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Adjustments to reconcile change in cash to  
net cash provided by operating activities:

Operating Net Income (Loss)	\$ 129,236.82
Change in Accrued Liabilities and Receivables	
Depreciation	<u>193,387.87</u>

Net cash provided (used) by operating activities	<u>\$ 318,963.44</u>
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*The accompanying notes are an integral part of the financial statement.*



## ***Monkey Island Fire Protection District***

Notes to Financial Statements  
For the Year Ended June 30, 2022

### **I. Summary of Significant Accounting Policies**

*Monkey Island Fire Protection 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 pronouncements issued since that date.

#### **A. Financial Reporting Entity**

The District complies with GASB Statement No. 14, *"The Financial Reporting Entity."* This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the District's financial statements.

#### **B. Basis of Presentation**

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

#### **C. Measurement Focus and Basis of Accounting**

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

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

The District has elected to present its financial statements on the modified cash basis. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities.

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

***Monkey Island Fire Protection District***

Notes to Financial Statements  
For the Year Ended June 30, 2022

**I. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Net Assets**

**Cash and Cash Equivalents**

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

**Fair Value of Financial Instruments**

The District's financial statements include cash and investments. The District's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

**Capital Assets**

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

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

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

**D. Assets, Liabilities and Net Assets (continued)**

**Equity Classifications**

Equity is classified as net assets 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 assets* --- Consists of net assets 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 assets* --- All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Concentrations of Credit and Market Risk**

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. The Organization has not experienced any losses on its cash equivalents.

**Monkey Island Fire Protection District**

Notes to Financial Statements

For the Year Ended June 30, 2022

**I. Summary of Significant Accounting Policies (continued)**

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Deposits and Investments**

State statutes govern the District's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The District invests entirely in certificates of deposit.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The District does not have a deposit policy for custodial credit risk. As of June 30, 2018, none of the District's investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

**Retirement Plans**

The District offers a pension plan to its full time permanent employees and the district matches employee contributions up to 15% of gross wages.

**Compensated Absences**

The District does not have a compensated absences policy in effect at this time.

**II. Detailed Notes Concerning the Funds**

**A. Changes in Property and Equipment**

The changes in property and equipment for the year ended June 30, 2022 were as follows:

	Balance at 7/1/20	Additions	Disposals	Balance at 6/30/21
Buildings/improvement	\$ 2,418,735	\$	\$	\$ 2,418,735
Furniture, fixtures & equipment	2,460,908	22,589		2,483,497
	4,879,643	<u>22,589</u>	<u>0</u>	4,902,232
Less Accumulated Depreciation	1,606,573	<u>193,388</u>	<u>0</u>	1,799,961
Net Property, Plant & Equipment	<u>\$ 3,273,070</u>			<u>\$ 3,102,271</u>

**B. Lease Payable**

On November 1, 2018 – the District entered into a Lease Agreement for the purchase of new ladder truck in the amount of \$768,853 with maturity of November 1, 2028 with an interest rate of 4.25%.

	Principal
6/30/23	\$30,301
6/30/24	\$31,614
6/30/25	\$43,217
6/30/26	\$45,089
6/30/27	\$47,044

***Monkey Island Fire Protection District***  
Notes to Financial Statements  
For the Year Ended June 30, 2022

**C. BONDS PAYABLE**

On November 1, 2018, Monkey Island Fire Department issued bonds in the amount of \$2,750,000 for the construction of new station for a term of ten (10) years as follows:

Year	Principal	Interest Payment
2023	\$ 300,000	\$ 67,600
2024	\$ 300,000	\$ 57,100
2025	\$ 300,000	\$ 43,075
2026	\$ 300,000	\$ 34,150
2027	\$ 300,000	\$ 29,650
2027-2028	<u>\$ 650,000</u>	<u>\$ 31,700</u>
Total	<u>\$2,150,000</u>	<u>\$ 263,275</u>

**III. Other Information**

**Subsequent Events**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on future contributions, revenue, and investment income of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

The total financial impact of COVID-19 on the District cannot be determined at this time.

There were no other subsequent events to disclose as of July 27, 2022.

***Monkey Island Fire Protection District***

**Schedule of Audit Findings  
For the Year Ended June 30, 2022**

**PRIOR YEAR AUDIT FINDINGS**

**2021 - 1:**

A control deficiency 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 on a timely basis misstatements or noncompliance with applicable requirements of a governmental entity. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that (a) a material misstatement of the entity's financial statements, or (b) noncompliance with applicable governmental entities, that is more than inconsequential will not be prevented or detected. We consider the deficiencies describe below to be significant deficiencies:

The Monkey Island Fire Protection District currently does not have the capability report their financial data reliably in accordance with generally accepted accounting principles. According to SAS No. 112, the inability to produce materially accurate financial statements is a significant control deficiency. Thus, there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

**CURRENT YEAR AUDIT FINDINGS**

**2022 - 1:**

A control deficiency 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 on a timely basis misstatements or noncompliance with applicable requirements of a governmental entity. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that (a) a material misstatement of the entity's financial statements, or (b) noncompliance with applicable governmental entities, that is more than inconsequential will not be prevented or detected. We consider the deficiencies describe below to be significant deficiencies:

The Monkey Island Fire Protection District currently does not have the capability report their financial data reliably in accordance with generally accepted accounting principles. According to SAS No. 112, the inability to produce materially accurate financial statements is a significant control deficiency. Thus, there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

**Management Response:**

Management will address the options available to allow the district to be able to comply with SAS No. 112.