

Monkey Island Fire Protection District
Delaware County, Oklahoma

Independent Auditor's Report
and Financial Statements

June 30, 2014

Monkey Island Fire Protection District
Delaware County, Oklahoma
June 30, 2014

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Independent Auditor's Report

July 15, 2014

Board of Directors
Monkey Island Fire Protection District

I have audited the accompanying Statement of Fund Net Assets of ***Monkey Island Fire Protection District*** as of June 30, 2014, and the related statements of revenues, expenses and changes in fund net assets and cash flows for the year then ended. The financial statements are the responsibility of ***Monkey Island Fire Protection District's*** management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Monkey Island Fire Protection District*** as of June 30, 2014, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 15, 2014 on my consideration of the ***Monkey Island Fire Protection District*** internal control over financial reporting and my tests of 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 my testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information is presented for purposes of additional analysis, and are not a required part of the financial statements of ***Monkey Island Fire Protection District***. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Violet F. Kirkendall CPA, PC
Certified Public Accountant

Violet F. Kirkendall CPA, PC
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***Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit
of Financial Statements Performed in Accordance with Government Auditing Standards***

July 15, 2014

Board of Directors

Monkey Island Fire Protection District

Delaware County, Oklahoma

I have audited the financial statements of ***Monkey Island Fire Protection District*** as of and for the year ended June 30, 2014, and have issued my report thereon dated July 15, 2014. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the ***Monkey Island Fire Protection District's*** internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted matters involving the internal control over financial reporting and its operation that I consider to be a significant deficiencies. 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. I consider the deficiencies in internal control described in the accompanying schedule of finding as items 2014 – 1 to be significant deficiencies.

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 errors or fraud in amounts that would be material in relation to the 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. My 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 a material weakness. However, I believe that the reportable condition described above is not a material weakness.

Compliance

As part of obtaining reasonable assurance about whether ***Monkey Island Fire Protection District*** financial statements are free of material misstatement, I performed tests of the 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization, and other audit agencies and is not intended to be and should not be used by anyone other than these specified parties.


Violet F. Kirkendall CPA, PC
Certified Public Accountants

Monkey Island Fire Protection District

Statement of Net Assets

June 30, 2014

<u>Assets</u>	
<i>Current Assets:</i>	
Cash and cash equivalents	\$ 188,542.19
Cash held by third parties	51,276.67
Prepaid Insurance	<u>13,273.94</u>
Total Current Assets	253,092.80
<i>Capital Assets:</i>	
Property and Equipment, net	<u>557,318.97</u>
Total Assets	<u>810,411.77</u>

<u>Liabilities and Fund Net Assets</u>	
<i>Current Liabilities:</i>	
Accrued payroll tax payable	1,660.36
Current portion of long-term debt	<u>33,631.07</u>
Total Current Liabilities	35,291.43
<u>Fund Net Assets</u>	
Invest in capital assets, net of related debt	523,687.90
Unrestricted	<u>251,432.44</u>
Total Fund Net Assets	<u>\$ 775,120.34</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
For the Year Ended June 30, 2014

Changes in Net Assets:

Operating Revenues:

AdValorem Taxes	\$ 313,557.66
Sales Tax Revenues	56,981.04
Grant Revenues	9,001.11
Other Income	<u>17,620.19</u>
Total Operating Revenues	<u>397,160.00</u>

Operating Expenses:

Depreciation	143,254.14
Fire/safety gear	3,304.70
Gas/oil	13,128.54
Insurance	47,949.96
Office expense	4,666.10
Other expenses	6,588.79
Payroll expenses	2,959.10
Professional fees	3,050.10
Retirement	14,599.28
Repairs and maintenance	193.73
Security	3,840.00
Training	12,848.02
Truck & equipment expense	51,437.79
Utilities	17,060.44
Wages	<u>128,484.46</u>
Total Operating Expenditures	<u>453,365.15</u>

Operating Net Income (Loss)	<u>(56,205.15)</u>
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Non-Operating Revenues (Expenses)

Interest Income	900.98
Gain on sale of assets	4,000.00
Interest expense	<u>(1,703.10)</u>
Total Non-Operating Revenues (Expenses)	<u>3,197.88</u>

Change in Net Assets	(53,007.27)
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Fund Net Assets - beginning of the year	<u>828,127.61</u>
Fund Net Assets - end of the year	<u>\$ 775,120.34</u>

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

Monkey Island Fire Protection District
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash Flows from Operating Activities

Cash inflows:

Payments received from taxes	\$ 370,538.70
Payments received from grants	9,001.11
Received from other sources	<u>17,620.19</u>
Total cash received	<u>397,160.00</u>

Cash outflows:

Payments for salaries and benefits	146,042.84
Payments to supplies for goods and services	<u>163,230.43</u>
Total cash used	<u>309,273.27</u>

Net Cash Provided (Used) by Operating Activities	<u>87,886.73</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

Principal payments on long-term debt	(33,730.53)
Interest expense	<u>(1,703.10)</u>

Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(35,433.63)</u>
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Cash Flows from Investing Activities

Purchase of fixed assets	(115,033.90)
Sale of fixed assets	(4,000.00)
Interest income received	<u>900.98</u>

Net Cash Provided (Used) by Investing Activities	<u>(118,132.92)</u>
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Increase (Decrease) in Cash	(60,187.47)
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Cash, Beginning of Year	<u>305,498.68</u>
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Cash, End of Year	<u>\$ 239,818.86</u>
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Adjustments to reconcile change in cash to
net cash provided by operating activities:

Operating Net Income (Loss)	\$ (56,205.15)
Depreciation	143,254.14

(Increase) decrease in operating assets

Taxes Receivable	
Prepaid insurance	1,629.54

Increase (decrease) in operating liabilities

Accrued expenses	<u>(791.80)</u>
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Net cash provided (used) by operating activities	<u>\$ 87,886.73</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, 2014

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.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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, 2014

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, 2014

I. Summary of Significant Accounting Policies (continued)

Changes in Property and Equipment

The changes in property and equipment for the year ended June 30, 2014 were as follows:

	Balance at <u>7/1/13</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>6/30/14</u>
Buildings/improvement	\$ 320,003	\$ 100,979	\$	\$ 420,982
Furniture, fixtures & equipment	<u>1,095,592</u>	<u>14,055</u>	<u></u>	<u>1,109,647</u>
	1,415,595	<u>\$ 115,034</u>	<u>\$ 0</u>	1,530,629
Less Accumulated Depreciation	<u>830,056</u>	<u>\$ 143,254</u>	<u>\$ 0</u>	<u>973,310</u>
Net Property, Plant & Equipment	<u>\$ 593,039</u>			<u>\$ 557,319</u>

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.

II. Detailed Notes Concerning the Funds

A. Deposits and Investments

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, 2014, none of the District's investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

Monkey Island Fire Protection District
Notes to Financial Statements
For the Year Ended June 30, 2014

II. Detailed Notes Concerning the Funds (continued)

B. Long Term Debt

The district entered into a lease agreement with the Oklahoma State Bank for the purchase of a 1990 Spartan Fire Apparatus on April 16, 2014, in the amount of \$160,200. The lease has an interest rate of 3.45% and is to be repaid in annual payments of \$35,433 beginning April 16, 2014.

The following is a schedule of debt maturities:

<u>Date</u>	<u>Principle</u>
6-30-15	\$33,631

Changes in Long Term Debt:

<u>Balance @</u> <u>7/1/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance @</u> <u>6/30/14</u>
\$ 67,362	\$ 0	\$ 33,731	\$ 33,631

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.

PRIOR YEAR AUDIT FINDINGS

2013 - 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

2014 - 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.