

***Berryhill Fire Protection District***

Independent Auditor's Report  
and Financial Statements

June 30, 2011

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**Kirkendall & Swindell CPAs, PLLC**  
*Certified Public Accountants*  
405 W. Claremore St.  
Claremore, OK 74017  
(918) 342-5474

Independent Auditor's Report

August 10, 2011

Board of Directors  
Berryhill Fire Protection District

We have audited the accompanying financial statements of **Berryhill Fire Protection District** as of and for the year ended June 30, 2011, as listed in the table of contents. The financial statements are the responsibility of **Berryhill Fire Protection District's** management. Our responsibility is to express opinions on these financial statements based on our audit.

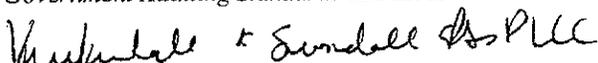
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 my audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Berryhill Fire Protection District** as of June 30, 2011, 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.

Management does not maintain records for fixed assets for amounts reported on the financial statements. Accounting principles generally accepted in the United States of America require that an a detail of the fixed assets be maintained. The amount by which the departure would affect the assets, fund net assets and revenues of the **Berryhill Fire Protection District** is not reasonably determinable at this time.

In our opinion, except for the effects of not providing an adequate allowance for depreciation as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the financial activities for the **Berryhill Fire Protection District**, as of June 30, 2011 and the respective changes in its cash flows for the year then ended in conformity with basis of accounting described in Note 1-C.

In accordance with Government Auditing Standards, we have also issued our report dated August 10, 2011 on our consideration of the **Berryhill Fire Protection District** internal control over financial reporting and our 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 our 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 our audit.

  
Kirkendall & Swindell CPAs, PLLC  
Certified Public Accountants

**Kirkendall & Swindell CPAs, PLLC**

Certified Public Accountants

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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

August 10, 2011

Board of Directors  
Berryhill Fire Protection District

We have audited the financial statements of **Berryhill Fire Protection District** for the year ended June 30, 2011, and have issued our report thereon dated August 10, 2011. 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.

Internal Control Over Financial Reporting

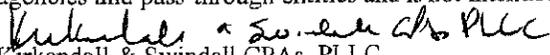
In planning and performing our audit, we considered the **Berryhill Fire Protection District** internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing our opinion on the financial statements and to not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting that we consider to be a significant deficiency. 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 deficiency in internal control described in the accompanying schedule of findings as items 2011 - 1 thru 2011 - 2 to be a significant deficiency.

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 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 reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Compliance

As part of obtaining reasonable assurance about whether the **Berryhill Fire Protection District** financial statements are free of material misstatement, we 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, 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*.

This report is intended for the information of the board of directors, management, others within the organization, the state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Kirkendall & Swindell CPAs, PLLC  
Certified Public Accountants

*Berryhill Fire Protection District*  
Statement of Net Assets  
June 30, 2011

Assets

*Current Assets:*

Cash and cash equivalents	\$ 131,875.53
Taxes receivable	1,472.10
Total Assets	<u>133,347.63</u>

Liabilities and Fund Net Assets

*Current Liabilities:*

Accounts payable	3,377.24
Payroll tax payable	714.24
Current portion of long term debt	<u>18,059.00</u>
Total Current Liabilities	22,150.48

*Long-Term Liabilities:*

Notes payable	<u>21,335.15</u>
Total Liabilities	<u>43,485.63</u>

*Fund Net Assets*

Unrestricted	<u>\$ 89,862.00</u>
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*The accompanying notes are an integral part of the financial statements.*

**Berryhill Fire Protection District**  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2011

Changes in Net Assets:	
<i>Operating Revenues:</i>	
AdValorem Taxes	\$ 319,791.42
Other Income	<u>7,899.28</u>
Total Operating Revenues	<u>327,690.70</u>
 <i>Operating Expenses:</i>	
Accounting/auditing	22,038.77
Advertising	235.30
Insurance & bond	22,379.00
Office expense	444.83
Other expenses	1,192.56
Payroll expenses	161,033.17
Repairs and maintenance	2,454.94
Supplies	14,873.65
Truck & equipment expense	23,154.71
Utilities and telephone	<u>11,829.15</u>
Total Operating Expenditures	<u>259,636.08</u>
Operating Net Income (Loss)	<u>68,054.62</u>
 <i>Non-Operating Revenues (Expenses)</i>	
Grant Revenues	4,397.72
Interest expense	<u>(4,017.42)</u>
Total Non Operating Revenues (Expenses)	<u>380.30</u>
Change in Net Assets	68,434.92
Fund Net Assets - beginning of the year	<u>21,427.08</u>
Fund Net Assets - end of the year	<u>\$ 89,862.00</u>

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

*Berryhill Fire Protection District*  
Statement of Cash Flows  
For the Year Ended June 30, 2011

*Cash Flows from Operating Activities*

Cash inflows:	
Payments received from taxes	\$ 319,278.39
Received from other sources	<u>7,899.28</u>
Total cash received	<u>327,177.67</u>

Cash outflows:	
Payments for salaries and benefits	(161,033.17)
Payments to supplies for goods and services	<u>(103,014.65)</u>
Total cash used	<u>(264,047.82)</u>

Net Cash Provided (Used) by Operating Activities	<u>63,129.85</u>
	<u>0.00</u>

*Cash Flows from Non-Capital Financing Activities*

<i>Cash Flows from Capital and Related Financing Activities</i>	
Principal payments on long-term debt	(18,153.57)
Interest expense	<u>(4,017.42)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(22,170.99)</u>

*Cash Flows from Investing Activities*

Grants received	<u>4,397.72</u>
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Increase (Decrease) in Cash	45,356.58
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Cash, Beginning of Year	<u>86,518.95</u>
Cash, End of Year	<u>\$ 131,875.53</u>

Adjustments to reconcile change in cash to net cash provided by operating activities:

Operating Net Income (Loss)	\$ 68,054.62
(Increase) Decrease in Receivables	(513.03)
Increase (Decrease) in Accrued Expenses	<u>(4,411.74)</u>
Net cash provided (used) by operating activities	<u>\$ 63,129.85</u>

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

**Berryhill Fire Protection District**  
Notes to Financial Statements  
For the Year Ended June 30, 2011

**Summary of Significant Accounting Policies**

*Berryhill 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.

**Berryhill Fire Protection District**  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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

**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 utilizes the modified accrual basis of accounting. The revenues are recognized when susceptible to accrual and expenditures are generally recognized when the related fund liability is incurred, if measurable.

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 non-operating revenues and expenses.

**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**

As of June 30, 2011, the District has no accurate record of the value of the fixed assets, therefore, they are not recorded in the financial statements as an asset.

**Berryhill Fire Protection District**  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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

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

**Revenues**

The District major source of revenue is tax assessments. Property owners within the District are assessed a millage levy as determined by the Board of Directors as part of the budgeting process and the county Assessor adds the millage to the tax rolls which is then collected by the County Treasurer and remitted to the District in the month after it is collected. These revenues are recorded on the cash basis until June 30, at which time uncollected receivables are recorded as revenues less an allowance for uncollectible accounts.

**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.

*Berryhill Fire Protection District*  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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

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

**II. Detailed Notes Concerning the Funds**

**A. 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, 2011, none of the District's investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

**B. Long Term Debt**

The district entered into a loan agreement with the American Heritage Bank in the amount of \$77,188.63. The loan has an interest rate of 5.5%.

The following is a schedule of debt maturities:

<u>Date</u>	<u>Principle</u>
6-30-12	\$ 18,059
6-30-13	19,052
6-30-14	2,283

**C. Retirement**

The District makes contributions of 13% of the gross pay of the qualified firefighters to the Oklahoma Firefighter's Pension and Retirement Board. These contributions totaled \$14,250 for the current fiscal year.

*Berryhill Fire Protection District*  
Schedule of Audit Findings  
For the Year Ended June 30, 2011

**PRIOR YEAR AUDIT FINDINGS**

**Internal Control Over Financial Reporting**

**2010-1:**

The District does not utilize the use of approved purchase orders for all disbursements made for expenditures. State Statutes require the use of properly processed purchase orders for all district expenditures.

Recommendation

Management should develop the procedures necessary to begin the use of the purchase order system for all District disbursements.

Response

Management will develop procedures necessary to comply with the requirements of using purchase orders for District expenditures.

**2010-2:**

The auditor tested revenues received by the District and found that receipts were not prepared and maintained for all revenues received (cash or check) by the District.

Recommendation

The District should develop the procedures necessary to require that prenumbered receipts are issued for all organization funds and properly reconciled with financial records to ensure that all funds are accounted.

Response

Management will discuss the use of prenumbered receipt to be issued for all District funds received.

**A. Audit Findings – Current Year**

**Compliance**

NONE

**Internal Control Over Financial Reporting**

**2011-1:**

The District does not utilize the use of approved purchase orders for all disbursements made for expenditures. State Statutes require the use of properly processed purchase orders for all district expenditures.

Recommendation

Management should develop the procedures necessary to begin the use of the purchase order system for all District disbursements.

Response

Management will develop procedures necessary to comply with the requirements of using purchase orders for District expenditures.

**2011-2:**

The auditor tested revenues received by the District and found that receipts were not prepared and maintained for all revenues received (cash or check) by the District.

Recommendation

The District should develop the procedures necessary to require that prenumbered receipts are issued for all organization funds and properly reconciled with financial records to ensure that all funds are accounted.

Response

Management will discuss the use of prenumbered receipt to be issued for all District funds received.

**C. Questioned Costs**

NONE