

**RURAL FIRE PROTECTION DISTRICT
NO. 1 OF SEQUOYAH COUNTY
AUDITED FINANCIAL STATEMENTS**

JUNE 30, 2015



RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY
JUNE 30, 2015

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Financial Statements	
Statement of Net Position and Governmental Fund Balance Sheet.....	4
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	5
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance.....	6
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	7
Notes to Financial Statements.....	8-11
Additional Required Report	
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 <i>Government Auditing Standards</i>	12-13
Supplementary Information	
Statement of Revenues and Expenses - Budget to Actual - Accrual Basis.....	14
Reconciliation of the Appropriation Ledger Maintained by the Sequoayah County Clerk.....	15



Independent Auditors' Report

To the Board of Directors
Rural Fire Protection District No. 1 of Sequoyah County, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Rural Fire Protection District No. 1 of Sequoyah County, Oklahoma (the District), as of and for the year ended June 30, 2015, 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 in accordance with accounting principles generally accepted in the United States of America; this includes 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 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 from 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 entity'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 entity'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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Rural Fire Protection District No. 1 of Sequoyah County, Oklahoma as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that 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, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.


Other Information

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information on pages 14 and 15 is presented for purposes of additional analysis and is not a required part of the financial statements. This supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting information and has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015, on our consideration of the Rural Fire Protection District No. 1 of Sequoyah County, Oklahoma 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 and 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 Rural Fire Protection District No. 1 of Sequoyah County, Oklahoma's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Przybysz & Associates". The script is cursive and fluid.

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
December 16, 2015

FINANCIAL STATEMENTS

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

Statement of Net Assets and Governmental Funds Balance Sheet

AS OF JUNE 30, 2015

	General	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 148,946	\$ -	\$ 148,946
Intergovernmental receivable	151,779	-	151,779
Prepaid insurance	940	-	940
Capital assets, net of accumulated depreciation	-	149,136	149,136
Total Assets	301,665	149,136	450,801
Liabilities			
Accounts payable	534	-	534
Total Liabilities	534	-	534
Fund Balances/Net Position			
Fund balances:			
Unreserved			
Undesignated	301,131	(301,131)	-
Total fund balances	301,131	(301,131)	-
Total Liabilities and Fund Balances	\$ 301,665		
Net position:			
Net investment in capital assets		149,136	149,136
Unrestricted		301,131	301,131
Total Net Position	\$	450,267	\$ 450,267

See accompanying notes to financial statements.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activity

AS OF JUNE 30, 2015

Total Governmental Fund Balances	\$	301,131
----------------------------------	----	---------

**Amounts reported in governmental activities in the statement of
net assets are different because:**

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds, net of
accumulated depreciation

149,136

Net Position of Governmental Activities	\$	450,267
--	-----------	----------------

See accompanying notes to financial statements.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance

FOR THE YEAR ENDED JUNE 30, 2015

	General	Adjustments	Statement of Net Assets
General Revenues			
Tax assessments	\$ 77,874	\$ -	\$ 77,874
Sales tax revenues	29,212	-	29,212
Refunds	77	-	77
Grants	4,484	-	4,484
Donations	7,000	-	7,000
Interest income	64	-	64
Total General Revenues	118,711	-	118,711
Expenditures/Expenses			
Repairs and maintenance	5,244	-	5,244
Licenses and permits	80	-	80
Membership dues	1,155	-	1,155
Fundraising expense	80	-	80
Operations and maintenance	10,527	-	10,527
Postage	60	-	60
Utilities	6,644	-	6,644
Insurance	1,388	-	1,388
Bank charges	78	-	78
Telephone	473	-	473
Supplies	2,151	-	2,151
Professional fees	3,118	-	3,118
Employee benefits	840	-	840
Capital outlays	49,500	(49,500)	-
Depreciation	-	21,929	21,929
Total Expenditures/Expenses	81,338	(27,571)	53,767
Change in Fund Balance/Net Position	37,373	27,571	64,944
Fund Balance/Net Position Beginning of Year	263,758	121,565	385,323
Fund Balance/Net Position End of Year	\$ 301,131	\$ 149,136	\$ 450,267

See accompanying notes to financial statements.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2015

Net Change in Governmental Fund Balances	\$	37,373
---	-----------	---------------

Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

27,571

Change in Net Position of Governmental Activities	\$	64,944
--	-----------	---------------

See accompanying notes to financial statements.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. Summary of Significant Accounting Policies

a. Organization

Rural Fire Protection District No. 1 of Sequoyah County (the District) was organized to provide fire protection to residents in the rural areas of Sequoyah County, Oklahoma less and except the incorporated areas of any cities or towns and all properties owned by the United States of America and the State of Oklahoma and its political subdivisions.

b. Financial Reporting Entity - Basis of Presentation

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the District are discussed below.

The financial statements include:

Financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure.

c. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as governmental. Governmental activities are normally supported by taxes and intergovernmental revenues.

Government-wide financial statements report information about the reporting government as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Currently, the District has only a governmental fund.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. Summary of Significant Accounting Policies (continued)

d. Measurement Focus, Basis of Accounting, and Financial Statement

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Organization considers revenues to be available if they are collected within 60 days after the year end. Expenditures are recorded when the related fund liability is incurred.

Taxes and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports one major governmental fund. The general fund of the District is the District's primary operating fund. It accounts for all financial resources of the government.

e. Assets, Liabilities, and Net Assets or Equity

Assessments Receivable

Assessments receivable represents amounts that are currently due and available for use by the District.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, 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 these estimates.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

1. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materiality extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

	YEARS
Land	N/A
Fire stations	40
Equipment	10

f. Income Taxes

The District is exempt from income taxes as a governmental agency.

2. Cash Deposits

At June 30, 2015, the District had deposits in two area banks which were FDIC insured.

3. Assessment Revenue

The District's ad valorem property tax is levied each June 1 on the assessed value listed as of the prior January 1 for all personal property, real estate, and public service property. Taxes are due on December 31 following the levy date. Tax assessment revenue and receivables reflect the amounts actually received from the County during the current fiscal year.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

4. Inter-Governmental Receivables

Inter-governmental receivables consists solely of \$151,779 maintained in an escrow account by Sequoyah County.

5. Property, Plant, and Equipment

Activity of property, plant and equipment consists of the following:

As of	July 1, 2014	Additions & Contributions	Retirements	June 30, 2015
Capital assets, not being depreciated				
Land	\$ 11,743	\$ -	\$ -	\$ 11,743
Total capital assets, not being depreciated	11,743	-	-	11,743
Capital assets, being depreciated				
Fire Station #1	39,289	-	-	39,289
Fire Station #2	18,030	-	-	18,030
Fire Station #3	26,440	-	-	26,440
Fire Station #4	17,438	-	-	17,438
Equipment	421,524	49,500	-	471,024
Total capital assets being depreciated	522,721	49,500	-	572,221
Less accumulated depreciation	412,899	21,929	-	434,828
Capital assets, net	\$ 109,822	\$ 27,571	\$ -	\$ 137,393

6. Risk Management

The District is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for building and contents, workers compensation, and automobiles.

7. Subsequent Events

The District has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2015 through December 16, 2015, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

ADDITIONAL REPORT



**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***

To the Board of Directors of Rural Fire Protection
District No. 1 of Sequoyah County, Oklahoma

We have audited, in accordance with the 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 of the Rural Fire Protection District No. 1 of Sequoyah County, Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 16, 2015, which was modified to reflect the omission of the management's discussion and analysis.

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 (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 District's internal control. Accordingly, we do not express 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 entity'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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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 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 that are required to be reported under *Government Auditing Standards*.

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 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.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
December 16, 2015

SUPPLEMENTARY INFORMATION

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

Statement of Revenues and Expenses - Budget to Actual

FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
General Revenues			
Tax assessments	\$ 50,000	\$ 77,874	\$ 27,874
Sales tax revenues	-	29,212	29,212
Refunds	-	77	77
Grants	5,000	4,484	(516)
Donations	-	7,000	7,000
Interest income	100	64	(36)
Total General Revenues	55,100	118,711	63,611
Expenditures/Expenses			
Repairs and maintenance	10,000	5,244	4,756
Operations and maintenance	32,622	26,594	6,028
Capital outlays	12,478	49,500	(37,022)
Total Expenditures/Expenses	55,100	81,338	(26,238)
Revenues Over Expenses	\$ -	\$ 37,373	\$ 37,373

See independent auditor's report.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

Reconciliation of the Appropriation Ledger Maintained by the Sequoyah County Clerk

FOR THE YEAR ENDED JUNE 30, 2015

Beginning Balance \$ 138,987.68

Appropriations

July appropriation	\$ 2,227.53
August appropriation	2,537.24
September appropriation	2,441.70
October appropriation	2,519.80
November appropriation	2,543.67
December appropriation	2,255.00
January appropriation	2,421.27
February appropriation	2,465.35
March appropriation	2,510.32
April appropriation	2,350.33
May appropriation	2,416.84
June appropriation	2,523.16

Total Appropriations 29,212.21

Warrants

000001	9/12/14 - Dunn Ford Co.	\$ 580.40
000023	8/18/14 - CM Auto Parts, LLC	860.00
000026	8/28/14 - Sequoyah County Times	22.45
000045	9/19/14 - Sequoyah County Times	22.45
000047	9/29/14 - Bob Hurley Buick GMC, LLC	14,500.00
000156	4/1/15 - Classic Auto Glass	244.00
000218	7/7/15 - 4 MAC, Inc.	191.92

Total Warrants 16,421.22

Ending Balance \$ 151,778.67

See independent auditor's report.