

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2011



RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

JUNE 30, 2011

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PRZYBYSZ

& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Corporation

Independent Auditor's Report

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

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, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Rural Fire Protection District No. 1 of Sequoyah County's management. Our responsibility is to express an opinion 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 also 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 our 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 the governmental activities and each major fund of the Rural Fire Protection District No. 1 of Sequoyah County, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated July 25, 2012 on our consideration of the Rural Fire Protection District No. 1 of Sequoyah County internal control over financial reporting and 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 the 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 assessing the results of our audit.

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.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.

Fort Smith, Arkansas

July 25, 2012

BASIC FINANCIAL STATEMENTS

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

Statement of Net Assets and Governmental Funds Balance Sheet

AS OF JUNE 30, 2011

	General	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 91,778	\$ -	\$ 91,778
Accounts receivable	1,744	-	1,744
Intergovernmental receivables	73,907	-	73,907
Prepaid insurance	307	-	307
Capital assets, net of accumulated depreciation	-	111,959	111,959
Total Assets	167,736	111,959	279,695
Liabilities			
Accounts payable	684	-	684
Total Liabilities	684	-	684
Fund Balances/Net Assets			
Fund balances:			
Unreserved			
Undesignated	167,052	(167,052)	-
Total fund balances	167,052	(167,052)	-
Total Liabilities and Fund Balances	\$ 167,736		
Net assets:			
Invested in capital assets		111,959	111,959
Unrestricted		167,052	167,052
Total Net Assets		\$ 279,011	\$ 279,011

See accompanying notes to financial statements.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

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

AS OF JUNE 30, 2011

Total Governmental Fund Balances \$ 167,052

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

111,959

Net Assets of Governmental Activities \$ 279,011

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, 2011

	General	Adjustments	Statement of Net Assets
General Revenues			
Tax assessments	\$ 35,535	\$ -	\$ 35,535
Sales tax revenues	27,147	-	27,147
Refunds	67	-	67
Grants	6,802	-	6,802
Fundraising income	1,730	-	1,730
Interest income	74	-	74
Total General Revenues	71,355	-	71,355
Expenditures/Expenses			
Repairs and maintenance	4,204	-	4,204
Fundraising expense	2,632	-	2,632
Operations and maintenance	18,435	-	18,435
Capital outlays	5,422	(5,422)	-
Depreciation	-	17,280	17,280
Total Expenditures/Expenses	30,693	11,858	42,551
Change in Fund Balance/Net Assets	40,662	(11,858)	28,804
Fund Balance/Net Assets Beginning of Year, Restated	126,390	123,817	250,207
Fund Balance/Net Assets End of Year	\$ 167,052	\$ 111,959	\$ 279,011

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, 2011

Net Change in Governmental Fund Balances \$ 40,662

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 depreciation exceeded capital outlays in the current period.

(11,858)

Change in Net Assets of Governmental Activities \$ 28,804

See accompanying notes to financial statements.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 Principals (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through to November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements.

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 Assets 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, 2011

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, 2011

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:

	<u>YEARS</u>
Land	N/A
Fire stations	40
Equipment	10

f. Income Taxes

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

g. Advertising

It is the policy of the District to expense advertising cost as they are incurred.

2. Cash Deposits

At June 30, 2011, the District had deposits in one area bank 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, 2011

4. Inter-Governmental Receivables

Inter-governmental receivables consists of \$70,048 maintained in an escrow account by Sequoyah County and \$3,859 due from the Town of Muldrow whereby Sequoyah County erroneously made three loan payments from the escrow account on behalf of the Town of Muldrow.

5. Property, Plant, and Equipment

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

As of	July 1, 2010	Additions & Contributions	Retirements	June 30, 2011
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	349,076	5,422	-	354,498
Total capital assets being depreciated	450,273	5,422	-	455,695
Less accumulated depreciation	338,199	17,280	-	355,479
Capital assets, net	\$ 112,074	\$ (11,858)	\$ -	\$ 100,216

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, 2011 through July 25, 2012, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

Statement of Revenues and Expenses - Budget to Actual

FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
General Revenues			
Tax assessments	\$ 25,000	\$ 35,535	\$ 10,535
Sales tax revenues	-	27,147	27,147
Refunds	-	67	67
Grants	5,000	6,802	1,802
Fundraising income	-	1,730	1,730
Interest income	100	74	(26)
Total General Revenues	30,100	71,355	41,255
Expenditures/Expenses			
Repairs and maintenance	5,300	4,204	1,096
Fundraising expense	-	2,632	(2,632)
Operations and maintenance	22,472	18,435	4,037
Capital outlays	2,328	5,422	(3,094)
Total Expenditures/Expenses	30,100	30,693	(593)
Revenues Over (Under) Expenses	\$ -	\$ 40,662	\$ 40,662

See independent auditor's report.

ADDITIONAL REPORT



PRZYBYSZ

& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Corporation

**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

We have audited the financial statements of the governmental activities and each major fund of the **Rural Fire Protection District No. 1 of Sequoyah County** as of and for the year ended **June 30, 2011**, and have issued our report thereon dated July 25, 2012 which was modified to state that the District has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. 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 *Governmental 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 District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

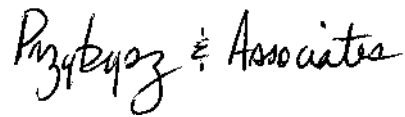
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination 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.

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
July 25, 2012