

**RURAL FIRE PROTECTION DISTRICT  
NO. 1 OF SEQUOYAH COUNTY**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2012**



**RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY**

**JUNE 30, 2012**

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**PRZYBYSZ**  
**& ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Corporation

## **Independent Auditor's Report**

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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, 2012, 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, 2012, 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 October 12, 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.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information on page 13 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.



**Przybysz & Associates, CPAs, P.C.**  
**Fort Smith, Arkansas**  
**October 12, 2012**

***FINANCIAL STATEMENTS***

# RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

## Statement of Net Assets and Governmental Funds Balance Sheet

AS OF JUNE 30, 2012

	General	Adjustments	Statement of Net Assets
<b>Assets</b>			
Cash and cash equivalents	\$ 88,016	\$ -	\$ 88,016
Intergovernmental receivables	94,821	-	94,821
Prepaid insurance	173	-	173
Capital assets, net of accumulated depreciation	-	142,949	142,949
<b>Total Assets</b>	<b>183,010</b>	<b>142,949</b>	<b>325,959</b>
<b>Liabilities</b>			
Accounts payable	864	-	864
<b>Total Liabilities</b>	<b>864</b>	<b>-</b>	<b>864</b>
<b>Fund Balances/Net Assets</b>			
<b>Fund balances:</b>			
Unreserved			
Undesignated	182,146	(182,146)	-
Total fund balances	182,146	(182,146)	-
<b>Total Liabilities and Fund Balances</b>	<b>\$ 183,010</b>		
Net assets:			
Invested in capital assets		142,949	142,949
Unrestricted		182,146	182,146
<b>Total Net Assets</b>		<b>\$ 325,095</b>	<b>\$ 325,095</b>

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

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AS OF JUNE 30, 2012

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Total Governmental Fund Balances \$ 182,146

**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

142,949

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**Net Assets of Governmental Activities** \$ 325,095

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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, 2012

	General	Adjustments	Statement of Net Assets
<b>General Revenues</b>			
Tax assessments	\$ 62,756	\$ -	\$ 62,756
Sales tax revenues	26,292	-	26,292
Refunds	70	-	70
Grants	4,413	-	4,413
Fundraising income	1,625	-	1,625
Donations	3,583	-	3,583
Miscellaneous	319	-	319
Interest income	48	-	48
<b>Total General Revenues</b>	<b>99,106</b>	<b>-</b>	<b>99,106</b>
<b>Expenditures/Expenses</b>			
Repairs and maintenance	4,418	-	4,418
Fundraising expense	2,462	-	2,462
Operations and maintenance	25,813	-	25,813
Capital outlays	51,319	(51,319)	-
Depreciation	-	20,329	20,329
<b>Total Expenditures/Expenses</b>	<b>84,012</b>	<b>(30,990)</b>	<b>53,022</b>
<b>Change in Fund Balance/Net Assets</b>	<b>15,094</b>	<b>30,990</b>	<b>46,084</b>
<b>Fund Balance/Net Assets Beginning of Year</b>	<b>167,052</b>	<b>111,959</b>	<b>279,011</b>
<b>Fund Balance/Net Assets End of Year</b>	<b>\$ 182,146</b>	<b>\$ 142,949</b>	<b>\$ 325,095</b>

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

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FOR THE YEAR ENDED JUNE 30, 2012

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Net Change in Governmental Fund Balances \$ 15,094

**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.

30,990

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**Change in Net Assets of Governmental Activities** \$ 46,084

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See accompanying notes to financial statements.

# RURAL FIRE PROTECTION DISTRICT NO. 1 OF SEQUOYAH COUNTY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### 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, 2012

### 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, 2012

### 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, 2012, 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, 2012

### 4. Inter-Governmental Receivables

Inter-governmental receivables consists solely of \$94,821 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, 2011	Additions & Contributions	Retirements	June 30, 2012
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	354,498	51,319	-	405,817
Total capital assets being depreciated	455,695	51,319	-	507,014
Less accumulated depreciation	355,479	20,329	-	375,808
Capital assets, net	\$ 100,216	\$ 30,990	\$ -	\$ 131,206

### 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, 2012 through October 12, 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.

***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***

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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, 2012**, and have issued our report thereon dated October 12, 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.

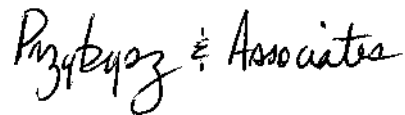
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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**  
**October 12, 2012**



***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, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
<b>General Revenues</b>			
Tax assessments	\$ 25,000	\$ 62,756	\$ 37,756
Sales tax revenues	-	26,292	26,292
Refunds	-	70	70
Grants	5,000	4,413	(587)
Donations	-	3,583	3,583
Miscellaneous	-	319	319
Fundraising income	-	1,625	1,625
Interest income	100	48	(52)
<b>Total General Revenues</b>	<b>30,100</b>	<b>99,106</b>	<b>69,006</b>
<b>Expenditures/Expenses</b>			
Repairs and maintenance	5,300	4,418	882
Fundraising expense	-	2,462	(2,462)
Operations and maintenance	22,472	25,813	(3,341)
Capital outlays	2,328	51,319	(48,991)
<b>Total Expenditures/Expenses</b>	<b>30,100</b>	<b>84,012</b>	<b>(53,912)</b>
<b>Revenues Over Expenses</b>	<b>\$ -</b>	<b>\$ 15,094</b>	<b>\$ 15,094</b>

See independent auditor's report.