

AUDITED FINANCIAL STATEMENTS

**ODESSA FIRE & RESCUE
PROTECTION DISTRICT**

DECEMBER 31, 2022

Odessa Fire & Rescue Protection District

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Odessa Fire & Rescue Protection District

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Odessa Fire & Rescue Protection District as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of Odessa Fire & Rescue Protection District as of December 31, 2022, and the respective changes in modified cash basis financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with the basis of accounting as described in Note A.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Odessa Fire & Rescue Protection District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Odessa Fire & Rescue Protection District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Gillum and Gillum, CPA, LLC

June 7, 2023

Odessa Fire & Rescue Protection District

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS
BALANCE SHEET - MODIFIED CASH BASIS**

December 31, 2022

	<u>General Fund</u>	<u>Adjustments (Note F)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and equivalents--Note B	\$ 1,221,607	\$ -	\$ 1,221,607
Land	-	123,580	123,580
Other capital assets, net of accumulated depreciation--Note D	-	1,084,549	1,084,549
Utility deposits	190	-	190
TOTAL ASSETS	<u>\$ 1,221,797</u>	<u>\$ 1,208,129</u>	<u>\$ 2,429,926</u>
FUND BALANCES/NET POSITION			
Fund balance--Note J			
Committed	115,098	(115,098)	-
Unassigned	<u>1,106,699</u>	<u>(1,106,699)</u>	-
TOTAL FUND BALANCES	<u>1,221,797</u>	<u>(1,221,797)</u>	-
TOTAL LIABILITIES AND FUND BALANCES			
	<u>\$ 1,221,797</u>		
Net position			
Net investment in capital assets		1,208,129	1,208,129
Unrestricted		<u>1,221,797</u>	<u>1,221,797</u>
TOTAL NET POSITION		<u>\$ 2,429,926</u>	<u>\$ 2,429,926</u>

See notes to financial statements

Odessa Fire & Rescue Protection District

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**

For the Year Ended December 31, 2022

	<u>General Fund</u>	<u>Adjustments (Note F)</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Fire & EMS			
Personal services	\$ 866,222	\$ -	\$ 866,222
Materials and services	379,498	-	379,498
Depreciation	-	87,753	87,753
Capital outlay	260,990	(260,990)	-
TOTAL EXPENDITURES/EXPENSES	<u>1,506,710</u>	<u>(173,237)</u>	<u>1,333,473</u>
PROGRAM REVENUES			
Charges for services -Ambulance fees	<u>285,799</u>	-	<u>285,799</u>
NET PROGRAM EXPENSE			<u>1,047,674</u>
GENERAL REVENUES			
Taxes--Note C	1,107,203	-	1,107,203
Interest income	7,230	-	7,230
Sale of surplus property	28,400	-	28,400
Miscellaneous	<u>2,503</u>	-	<u>2,503</u>
TOTAL GENERAL REVENUES	1,145,336	-	1,145,336
REVENUES OVER (UNDER) EXPENDITURES	(75,575)		
CHANGE IN NET POSITION		173,237	97,662
Fund balance/net position, beginning of year	<u>1,297,372</u>	<u>1,034,892</u>	<u>2,332,264</u>
FUND BALANCE/NET POSITION			
END OF YEAR	<u>\$ 1,221,797</u>	<u>\$ 1,208,129</u>	<u>\$ 2,429,926</u>

See notes to financial statements

Odessa Fire & Rescue Protection District

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL**

For Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES COLLECTED				
Taxes	\$ 1,055,156	\$ 1,055,156	\$ 1,107,203	\$ 52,047
Ambulance fees	250,000	250,000	285,799	35,799
Interest income	5,000	5,000	7,230	2,230
Sale of surplus property	-	-	28,400	28,400
Miscellaneous	<u>2,500</u>	<u>2,500</u>	<u>2,503</u>	<u>3</u>
	1,312,656	1,312,656	1,431,135	118,479
EXPENDITURES PAID				
Current:				
Personal services	851,500	851,500	866,222	(14,722)
Materials and services	460,900	460,900	379,498	81,402
Capital outlay	<u>265,000</u>	<u>265,000</u>	<u>260,990</u>	<u>4,010</u>
	<u>1,577,400</u>	<u>1,577,400</u>	<u>1,506,710</u>	<u>70,690</u>
	(264,744)	(264,744)	(75,575)	189,169
Fund balance, beginning of year			<u>1,297,372</u>	
			<u>\$ 1,221,797</u>	

See notes to financial statements

Odessa Fire & Rescue Protection District

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Odessa Fire & Rescue Protection District (the District) have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity: The District was organized on August 3, 1993 under the provisions of Chapter 321 of the Revised Statutes of Missouri to provide fire and rescue protection to the City of Odessa, Missouri and its surrounding community. The District commenced operations on January 1, 1994.

Basis of Presentation: The District's basic financial statements consist of government-wide statements as well as fund financial statements. The government-wide statements (Statement of Net Position and Statement of Activities) display information about the government as a whole. Fund financial statements provide information at the fund level, with each fund considered a separate accounting entity.

Since the District operates a single government program with its resources accounted for in a single (general) fund, the government-wide and fund financial statements are combined to form a single financial statement as an approved alternative to presenting separate government-wide and fund statements.

Fund Accounting: The District uses a general fund to account for all its financial activity during the year. The operations of the fund are accounted for with a set of self-balancing accounts which include its assets, liabilities, fund balance, revenues and expenditures.

Measurement Focus and Basis of Accounting: The term measurement focus is used to denote what is being measured and reported in the District's financial statements. The government-wide financial statements are presented using the flow of economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net position and changes in net position (or cost recovery). All assets and liabilities associated with their activities are reported. The fund financial statements are presented using the current financial resources measurement focus. Only current financial assets and liabilities are generally included in the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. Fund balance is used as the measure of available spendable financial resources at the end of the period.

Odessa Fire & Rescue Protection District

NOTES TO FINANCIAL STATEMENTS - CONT'D

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Measurement Focus and Basis of Accounting - continued: The term basis of accounting is used to determine when transactions are recorded regardless of the measurement focus applied. The District's policy is to prepare its financial statements on the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues and expenditures/expenses when they result from cash transactions. For the government-wide financial statements, the cash basis is modified to present capital assets and long-term debt arising from cash transactions in the Statement of Net Position and to report depreciation expense in the Statement of Activities. For the fund financial statements, no modifications are made. The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The District has adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*. These statements established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, and a statement of activities and changes in net position. It requires the classification of net position into three components, net investment in capital assets; restricted; and unrestricted. The District has no restricted net position. The other classifications are defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of any long-term debt that is attributable to the acquisition, construction, or improvement of those assets.
- *Unrestricted* – This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Cash and Equivalents: Cash and equivalents include all demand and savings accounts and any short-term investments with original maturities of three months or less.

Capital Assets: In the fund financial statements, capital assets are presented as capital outlay expenditures of the fund upon acquisition. However, assets that meet District policy for capitalizing are reported in the government-wide Statement of Net Position. All land, buildings and vehicles are capitalized. Other assets costing more than \$2,000 are also capitalized. The assets are recorded at cost. Capital assets, except land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Life</u>
Buildings	40 years
Building improvements	7-30 years
Firefighting equipment	5-10 years
Office equipment and furniture	5-7 years
Fire engines, tankers and brush trucks	10-15 years

Odessa Fire & Rescue Protection District

NOTES TO FINANCIAL STATEMENTS - CONT'D

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Program Revenues: Program revenues are charges paid by the recipient of ambulance services.

Long-Term Debt: All long-term debt arising from cash transactions is reported as a liability in the government-wide statements. In the fund financial statements, debt proceeds are reported as other financing sources and payments of principal and interest as expenditures.

Fund Balance: In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is classified within one of five categories:

Nonspendable: Funds that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.

Restricted: Funds that are mandated for a specific purpose by external parties, such as grantors, or by state statute and other enabling legislation.

Committed: Funds that are set aside for a specific purpose determined by formal action of the District's highest level of decision-making authority, the Board of Directors. Commitments are authorized by Board policy or resolution. A Board policy revision or a Board resolution is also required to modify or rescind the limitations placed on these funds.

Assigned: Funds that are set aside with the intent to be used for a specific purpose by the District's Board of Directors or the Fire Chief. These funds do not meet the criteria to be classified as restricted or committed.

Unassigned: Residual amount for the general fund, after allocations to the other four categories. This category provides spendable resources to meet unexpected expenditures and revenue shortfalls.

When both restricted and unrestricted resources are available for expenditure, restricted amounts are to be reduced first, unless legal requirements disallow it. When committed, assigned, and unassigned funds are available for expenditure, committed funds should be spent first, followed by assigned amounts and then unassigned amounts.

Risk Management: The District has identified its significant risk areas, including property, liability, workers compensation, and errors and omissions liability, and has covered those risks with the purchase of commercial insurance.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Subsequent Events: Subsequent events have been evaluated through June 7, 2023, the date these financial statements were available to be issued.

Odessa Fire & Rescue Protection District

NOTES TO FINANCIAL STATEMENTS - CONT'D

NOTE B--CASH AND EQUIVALENTS

Missouri statutes authorize the District to deposit in open accounts, certificates of deposit and United States Treasury obligations. At December 31, 2022, cash and investments consisted of:

Checking	\$ 755,344
Money market	220,716
Certificates of deposit	<u>245,547</u>
	<u>\$1,221,607</u>

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 deposit policy for custodial credit risk is to follow the Revised Statutes of Missouri regarding the collateralization of deposits.

At December 31, 2022, the District had a bank balance of \$1,245,196. Of that amount, \$250,000 was covered by federal depository insurance, and the remainder was secured by collateral held by the District's banks' agent in the District's name.

NOTE C--TAXES AND TAX LEVY

Property tax receipts resulting from modified cash basis transactions for the year ended December 31, 2022 were \$1,107,203.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The combined fire and ambulance tax levies for property owners from the City of Odessa and surrounding rural areas were assessed at \$.8914 for every \$100 of assessed valuation.

NOTE D--CAPITAL ASSETS

Capital asset activity, resulting from modified cash basis transactions for the year ended December 31, 2022 was as follows:

	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022
Land (not depreciated)	<u>\$ 123,580</u>	\$ ---	\$ ---	<u>\$ 123,580</u>
Building	675,427	---	---	675,427
Fire equipment	388,167	---	---	388,167
Office equipment	22,065	---	---	22,065
Radios and pagers	35,867	---	---	35,867
Vehicles	<u>1,443,310</u>	<u>260,990</u>	---	<u>1,704,300</u>
	2,564,836	260,990	---	2,825,826
Less: accumulated depreciation	<u>1,653,524</u>	87,753	---	<u>1,741,277</u>
Other capital assets, net	<u>\$ 911,312</u>			<u>\$ 1,084,549</u>

Odessa Fire & Rescue Protection District

NOTES TO FINANCIAL STATEMENTS - CONT'D

NOTE E-- BUDGETARY REQUIREMENTS

In accordance with Chapter 67, RSMo, the District adopts a complete annual operating budget. The proposed budget includes estimated revenues and proposed expenditures for all District funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Directors, the budget document is available for public inspection. On December 16, 2021, the budget was legally enacted by a vote of the Board of Directors.

Subsequent to its formal approval of the budget, the Board has the authority to make necessary adjustments to the budget by formal vote. Adjustments made during the year, if any, are reflected in the budgetary comparison schedule included in the basic financial statements of the District.

NOTE F--RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

Capital assets used in governmental activities of \$2,949,406, net of accumulated depreciation of \$1,741,277, are not financial resources and, therefore, are not reported in the funds.

Statement of Activities

Governmental funds report capital outlays of \$260,990 as expenditures, while governmental activities report depreciation expense of \$87,753 to allocate capital expenditures over the lives of the assets.

NOTE G--PENSION PLAN

Plan description: Odessa Fire & Rescue Protection District participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the express intent of the General Assembly. The plan is qualified under Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the seven-member Board of Trustees. LAGERS issues a publicly available financial report, including financial statements and required supplementary information. That report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits provided: LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

Odessa Fire & Rescue Protection District

NOTES TO FINANCIAL STATEMENTS - CONT'D

NOTE G--PENSION PLAN – CONT'D

Benefits provided - continued:

	<u>2022 Valuation</u>
Benefit Multiplier	2.00%
Final Average Salary	5 years
Member Contributions	0%

Benefit terms provide for annual post-retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index, and is limited to 4% per year.

Employees covered by benefit terms: At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees/beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>8</u>
Total	<u>11</u>

Contributions: The District is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's full-time employees do not contribute to the pension plan. Employer contribution rates were 18.9% of annual covered payroll. The District's total contribution to LAGERS under the modified cash basis of accounting was \$102,668 for the fiscal year ended December 31, 2022.

NOTE H--COMMITMENTS AND CONTINGENCIES

At December 31, 2022, the District's liability for accrued paid time off was \$26,735 based on pay rates in effect at that date.

NOTE I--RELATED PARTY TRANSACTIONS

A District board member was employed as a service technician by a vendor from whom the District purchased approximately \$5,700 of equipment and supplies in 2022.

NOTE J--FUND BALANCE

At December 31, 2022 the District had the following fund balance commitments:

Building repairs/improvements:	\$114,582
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MANAGEMENT LETTER

To the Board of Directors and Management
Odessa Fire & Rescue Protection District

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of Odessa Fire & Rescue Protection District (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 7, 2023.

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control described below that we consider to be significant deficiencies.

Segregation of Duties – purchasing and disbursements

Condition: A Co-chief makes purchases as allowed under board policy, and also pays bills online.

Criteria: Accounting duties should be segregated so that employees responsible for purchasing do not have access to assets to pay bills.

Effect: Lack of controls could allow for errors or fraud to occur. During our audit, we noted the following:

- Online payments were made from statements resulting in a number of duplicate payments
- Online payments were made to vendors whose statements showed a credit balance
- Sales tax was paid on a substantial number of purchase transactions

Recommendation: We recommend that District purchasing and payment functions be kept separate, and that the Board remain aware of this situation in carrying out their fiduciary responsibilities. The District should ensure that all transactions and reports are subject to detailed Board review and approval.

Sales tax exemption certificates should be provided to all vendors so that the District does not pay sales tax in error. Vendor statements should be reviewed closely to ensure duplicate payments are not made.

We also noted the following matters that are not required to be reported under auditing standards generally accepted in the United States of America, but that require consideration by management and the Board.

Expenditures

During our tests, we noted that a former employee still had an active account on the District's credit card. We recommend that account be closed as soon as possible.

While examining the documentation of charges made using the District's credit cards, we were unable to locate a small number of purchase receipts. We recommend the District obtain documentation of all purchases made using District charge cards.

A Co-chief compares the receipts from fuel purchases to the monthly online bill received from the fleet management vendor. We recommend that the District maintain written documentation of the performance of this control.

Payroll

The District's policy is to compensate full-time employees with at least one year of service for up to 336 hours of unused vacation time. We recommend the District's tracking of accrued paid time off include a calculation of the accrued vacation liability at year-end for budgeting and financial reporting purposes.

Property

We recommend that District personnel continue to take and document periodic inventories of all property in order to demonstrate accountability.

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

Millum and Millum, CPA, LLC

June 7, 2023