VERDIGRIS FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2013

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WINGARD, RAGSDALE & LANGLEY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Verdigris Fire Protection District
Verdigris, OK

We have audited the accompanying financial statements of the Verdigris Fire Protection District as of June 30, 2013, and the related notes to the 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 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. 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.

AUDITOR'S RESPONSIBILITY

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Verdigris Fire Protection District as of June 30, 2013, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

OTHER MATTERS

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 statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Sincerely,

Wingard, Ragsdale Langley, CPAs, PLLC

WINGARD, RAGSDALE & LANGLEY
CERTIFIED PUBLIC ACCOUNTANTS, PLLC
PRYOR, OKLAHOMA

October 21, 2013

VERDIGRIS FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30,

		2013
Assets		
Current Assets		
Cash and cash equivalents	$	170,613
Taxes receivable		15,478
Total Current Assets		186,091
Property and Equipment		
Land		220,000
Building		633,313
Equipment		423,336
Vehicles		1,782,693
Total property and equipment		3,059,342
Less: Accumulated depreciation		(1,885,510)
Net Property and Equipment		1,173,832
Other Assets		
Prepaid expense		10,048
Total Assets		1,369,971
Liabilities and Net Assets		
Current Liabilities		
Accounts payable		27,582
Payroll Taxes Payable		905
Lease payable - current		74,433
Total Current Liabilities		102,920
Non Current Liabilities		
Lease Payable		112,357
Total Non Current Liabilities		112,357
Total Liabilities		215,277
Net Position		
Invested in capital assets, net of related debt		987,042
Unrestricted		167,652
Total Net Position		1,154,694
Total Liabilities and Net Assets	$	1,369,971

The accompanying notes are an integral part of these financial statements.

VERDIGRIS FIRE PROTECTION DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
JUNE 30,

		2013
Operating Revenues		
Ad Valorem Taxes	$	1,051,184
Grant Revenues		4,484
Other income		8,356
Total Operating Revenues		1,064,024
Operating Expenses		
Contract labor		10,488
Depreciation		187,117
Dues and memberships		395
Employee benefits/insurance		167,190
Equipment		18,535
Equipment Rental		2,385
Insurance & bond		53,427
Office expense		1,364
Other expenses		26,399
Payroll expenses		35,554
Postage		366
Printing/reproduction		3,413
Professional fees		10,454
Repairs and maintenance		30,526
Telephone		9,483
Training		12,928
Truck & equipment expense		17,839
Utilities		10,262
Wages		431,142
Total Expenses		1,029,267
Net Operating Income (Loss)		34,758
Non-Operating Revenue (Expense)		
Interest expense		(22,492)
Total Non-Operating Revenue (Expense)		(22,492)
Increase (Decrease) in Net Assets		12,266
Net Position, beginning of year		1,005,924
Prior Period Adjustment		136,504
Net Position, beginning of year restated		1,142,428
Net Position, end of year	$	1,154,694

The accompanying notes are an integral part of these financial statements.

VERDIGRIS FIRE PROTECTION DISTRICT
STATEMENT OF CASH FLOWS
JUNE 30,

	2013
Cash flows from operating activities	
Payments received from taxes	1,038,238
Payments received from grants	4,484
Received from other sources	8,356
Payments to suppliers	(384,807)
Payments to employees	(431,142)
Net cash provided (used) by operating activities	235,129
Cash flows from capital and related financing activities	
Principal paid on lease agreements	(71,777)
Interest expense and fiscal charges	(22,492)
(Acquisition) disposition of capital assets	(45,121)
Net cash provided (used) by capital and related financing activities	(139,389)
Net increase (decrease) in cash and cash equivalents	95,740
Cash and cash equivalents, beginning	74,873
Cash and cash equivalents, ending	170,613
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Net operating income (loss)	34,758
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	187,117
Changes in assets and liabilities:	
(Increase) decrease in receivables	(12,945)
(Increase) decrease in prepaids	8,010
(Increase) decrease in inventories	-
Increase (decrease) in accounts payable	18,190
Total adjustments	200,372
Net cash provided (used) by operating activities	235,129

The accompanying notes are an integral part of these financial statements.

Note 1 - Nature of Organization

The Verdigris Fire Protection District (the District) was organized for the purpose of providing fire protection services for the owners and occupants of land located within the District.

The accounting policies of the District conform to generally accepted accounting principles applicable to governmental units. The District complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The District has elected not to follow FASB pronouncement issued since that date.

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity - The District complies with GASB Statement No. 14, *"The Financial Reporting Entity."* This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the District's financial statements.

Basis of Accounting - The District's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. The activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2 - Summary of Significant Accounting Policies (continued)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other amounts. Actual results may differ from those estimates.

The District adopts annual operations and capital budgets. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The current operating budget details the District's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. The capital budget details the plan to receive and expend cash basis capital contribution fees, special assessments, grants, borrowings and certain revenues for capital projects.

All unexpensed and unencumbered appropriations in the operating budget lapse at the end of the fiscal year. No appropriation for a capital project in the capital budget lapses until the purpose for which the appropriation was made has been accomplished or abandoned.

The Board of Directors adopts a budget at the meeting prior to the beginning of the new fiscal year. Actual revenues and expenditures are monitored and compared with the budget during the year. Significant variations from budgeted amounts are researched and the board is informed of the results.

Cash and Cash Equivalents - Cash and cash equivalents, for purposes of the statement of cash flows, include all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased.

Fair Value of Financial Instruments - The District's financial statements include cash and investments. The District's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Equity Classifications - Equity is classified as net assets and displayed in three components:

a. *Invested in capital assets, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowing that are attributable to the acquisition, construction or improvement of those assets.

b. *Restricted net position* - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. *Unrestricted net position* - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Concentrations of Credit and Market Risk - Financial instruments that potentially expose the District to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited at any one institution. The District has not experienced any losses on its cash equivalents.

Note 2 - Summary of Significant Accounting Policies (continued)

Capital Assets - The fixed assets are recorded at cost. Donated capital assets are reported at estimated fair market value at the date of donation.

Maintenance and repairs, which do not significantly extend the value or life of property, plant and equipment, are expensed as incurred.

All reported capital assets are depreciated on the straight-line basis over the estimated useful lives ranging from five to fifty years.

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

Use of Estimates - The preparation of financial statements in conformity with the U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ form those estimates.

Retirement Plans - The District participates in a Length of Service Program for all eligible employees and the amount paid during fiscal year 2013 for the program was $71,500.

Compensated Absences - For the first five years of employment, employees accrue 40 hours of vacation leave per year. For the next five years of employment, employees accrue 120 hours of vacation. Vacation pay does not accumulate and unused vacation is forfeited if not taken by December 31.

The District's sick policy permits the accumulation of 10 sick days per year, which cannot be carried over from one year to the next. Employees are not paid for unused sick days upon termination of employment. Accordingly, sick pay is charged to expenditures when taken.

Note 3 - Deposits and Investments

State statutes govern the District's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The District invests entirely in certificates of deposit.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The District does not have a deposit policy for custodial credit risk. As of June 30, 2013, none of the District's investments were exposed to custodial credit risk because they were uninsured or uncollateralized.

Note 4 - Capital Assets

Capital asset activity during the year was as follows:

	Balance 6/30/2012	Additions	Transfers	Balance 6/30/2013
Land	$220,000	$0	$0	$220,000
Buildings	633,313	-	-	633,313
Vehicles	1,782,693	-	-	1,782,693
Equipment	378,215	45,121	-	423,336
Total Property and Equipment	3,014,221	45,121	-	3,059,342
Less Accumulated Depreciation	(1,698,393)	(187,117)	-	(1,885,510)
Net Property and Equipment	$1,315,828	$(141,996)	$ -	$1,173,832

Note 5 - Long-Term Debt

	Total Debt	Due Within One Year
The District entered into a lease purchase agreement dated April 19, 2012 with Welch State Bank to purchase a pumper truck. The total commitment was approximately $450,200, bearing interest at 3.65%, with six annual payments of $82,906.45, principal and interest. The remaining principal balance at June 30, 2013 was $186,791.	$186,791	$74,433

The following is a summary of payments due for the next five years:

	Principal
2014	$74,433
2015	78,900
2016	33,458
2017	0
2018	0
Thereafter	0

Note 6 - Prior Period Adjustment

During 2013, it was discovered Verdigris Fire Protection District's prior audited financial statements incorrectly reported capital assets as expenditures and incorrectly calculated accumulated depreciation. As such, the following adjustments were recorded to restate the equity associated with these activities:

	As reported June 30, 2012	Adjustment	As Restated at June 30, 2012
Equipment	335,712	42,503	378,215
Vehicles	1,742,725	39,967	1,782,692
Accumulated Depreciation	(1,752,427)	54,034	(1,698,393)
Net Position	(1,005,924)	(136,504)	(1,142,428)

Note 7 - Subsequent Events

Management has evaluated and disclosed subsequent events up to the date of the audit report.

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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*

Honorable Chairman and Board of Directors
Verdigris Fire Protection District
Verdigris, OK

We have audited the statement of net assets, statement of revenues, expenses and changes in net assets and statement of cash flows, which collectively comprise the basic financial statements of the Verdigris Fire Protection District as of June 30, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Verdigris Fire Protection District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Verdigris Fire Protection District's internal control over financial reporting as a basis for designing our auditing procedures 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 Verdigris Fire Protection District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Verdigris Fire Protection 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 misstatements on a timely basis. A material weakness is a significant deficiency or combination of significant 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 detect 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. 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Verdigris Fire Protection 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 management, the Board of Directors, other within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wingard, Ragsdale Langley, CPAs, PLLC

WINGARD, RAGSDALE & LANGLEY
CERTIFIED PUBLIC ACCOUNTANTS, PLLC
OCTOBER 21, 2013

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SCHEDULE OF FINDINGS AND RESPONSES

Honorable Chairman and Board of Directors
Verdigris Fire Protection District
Verdigris, OK

PRIOR YEAR AUDIT FINDINGS

2012-1:

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis, misstatements or noncompliance with applicable requirements of a governmental entity. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that (a) a material misstatement of the entity's financial statements, or (b) noncompliance with applicable governmental entities, that is more than inconsequential will not be prevented or detected. We consider the deficiencies described below to be significant deficiencies:

The Verdigris Fire Protection District currently does not have the capability to report their financial data in accordance with generally accepted accounting principles. According to SAS No. 112, the inability to produce materially accurate, complete financial statements is a significant control deficiency. Thus, there is a more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

Current year audit finding:
It was noted during current year audit procedures that management has addressed this issue.