

November 19, 2018

To the Operating Committee of  
Dunn's Corners Fire District  
Westerly, Rhode Island

We have audited the financial statements of the governmental activities and each major fund of Dunn's Corners Fire District for the year ended May 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 18, 2018. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Dunn's Corners Fire District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2018. We noted no transactions entered into by Dunn's Corners Fire District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of the estimated useful lives of capital assets is based on past experience with similar assets. We evaluated the key factors and assumptions used to develop the estimated useful lives of property and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the collectability of its receivables is based on past experience. We evaluated the key factors and assumptions used to develop the estimated collectability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

##### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

##### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 19, 2018.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to Dunn’s Corners Fire District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedule – General Fund, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

The following are other matters we observed during the normal course of our audit and other comments on the District’s activities that are not considered to be significant deficiencies:

#### **1) Dunn’s Corners Fire Department – IRS Filings**

From discussions with the District’s management, it is our understanding that the Dunn’s Corners Fire Department (Fire Department) located within the District currently does not submit any annual filings with the Internal Revenue Service.

*Recommendation:* We recommend that the Fire Department apply for tax exempt status with the Internal Revenue Service using form 1023. If tax exempt status is granted, the Fire Department will be required to file Form 990 annually or Form 990-N annually if its gross receipts are less than \$50,000. If tax exempt status is not granted, the Fire Department may be required to file Form 1120, the income tax return for corporations.

#### **2) Budgeted Revenue – Inspection Fees**

At its September 2013 meeting, the Operating Committee formalized the practicing of crediting the inspection fee revenue to the Prevention Fund, a special revenue fund. However, the District still budgeted for these revenues in the 2017-2018 General Fund annual budget.

*Recommendation:* The District should consider removing these budgeted revenues from the General Fund annual budget as they are not available for general expenditures of the District.

#### **3) Review of Bann Reconciliations**

Although the District maintains a segregation of duties with regard to the custody and recordkeeping of its cash accounts, we recommend the District consider an enhancement of its controls through a periodic or haphazard review of the monthly bank reconciliations by the Treasurer or other Operating Committee member to ensure there are no unusual outstanding checks, deposits, or other reconciling items in the accounting system.

### Restriction on Use

This information is intended solely for the information and use of the Operating Committee and management of Dunn’s Corners Fire District and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesies and assistance extended to us by the management and employees of the District during the course of our audit. We would be happy to discuss any of these matters further or assist in implementation at your request.

Very truly yours,

*Hoyt, Filippetti & Malaghan, LLC*

Groton, Connecticut  
November 19, 2018

**DUNN'S CORNERS FIRE DISTRICT  
WESTERLY, RHODE ISLAND**

**BASIC FINANCIAL STATEMENTS  
MAY 31, 2018**

**TOGETHER WITH**

**INDEPENDENT AUDITORS' REPORT,  
GOVERNMENTAL AUDITING STANDARDS REPORT,**

**AND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DUNN’S CORNERS FIRE DISTRICT  
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## INDEPENDENT AUDITORS' REPORT

To the Operating Committee of  
Dunn's Corners Fire District  
Westerly, Rhode Island

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Dunn's Corners Fire District (the District), as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Dunn's Corners Fire District, as of May 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 - 9 and 30 - 31 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Hoyt, Filippetti & Malaghan, LLC*

Groton, Connecticut  
November 19, 2018

**INDEPENDENT AUDITORS' 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 Operating Committee of  
Dunn's Corners Fire District  
Westerly, Rhode Island

We have audited, 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, the financial statements of the governmental activities and each major fund of the Dunn's Corners Fire District, as of and for the year ended May 31, 2018, and the related notes to the financial statements, which collectively comprise the Dunn's Corners Fire District's basic financial statements, and have issued our report thereon dated November 19, 2018.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Dunn's Corners Fire District's financial statements are free from 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*.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hoyt, Filippetti & Malaghan, LLC*

Groton, Connecticut

November 19, 2018



# **DUNN'S CORNERS FIRE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2018**

## **BASIC FINANCIAL STATEMENTS**

Our discussion and analysis of the Dunn's Corners Fire District's (the District's) financial performance provides an overview of the District's financial activities for the fiscal year ended May 31, 2018; as such, it should be read in conjunction with the District's audited financial statements. The District's financials consist of two series of financial statements: Government-Wide and Fund Financial Statements.

- 1) Government-Wide Financial Statements: These statements, which include the statement of net position and the statement of activities, provide information about the activity of the District as a whole. These statements also present a longer-term view of the District's finances by presenting all assets, liabilities, net position, revenues, and expenses on the *accrual basis of accounting*, which is similar to the accounting methods used by many private-sector companies.

For purposes of the government-wide financial statements, the Dunn's Corners Fire District has the following activities:

- a) Governmental Activities – The District's primary service, fire protection, is reported here. This activity is financed primarily through an annual levy of property taxes.
- 2) Fund Financial Statements: For governmental activities, these statements present how the services provided by the District were financed in the short term as well as what remains for future spending. Additionally, these statements report the District's activities in greater detail by highlighting the District's most significant funds. The District's funds consist solely of *Governmental Funds*. These funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the *modified accrual basis of accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations; these statements help you to determine whether there are more or fewer financial resources that can be spent in the near future to finance District operations. We describe the relationship (or differences) between governmental *activities* (reported in the government-wide financial statements) and government *funds* in a reconciliation at the bottom of the fund financial statements.

# DUNN'S CORNERS FIRE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE YEAR ENDED MAY 31, 2018

#### CONDENSED GOVERNMENT-WIDE STATEMENTS

Presented below is a condensed version of the government-wide financial statements.

##### Statement of Net Position

	Governmental Activities		Increase
	2018	2017	(Decrease)
Current assets	\$ 933,561	\$ 870,274	\$ 63,287
Capital assets, net	2,349,323	2,508,635	(159,312)
Total assets	<u>\$ 3,282,884</u>	<u>\$ 3,378,909</u>	<u>\$ (96,025)</u>
Current liabilities	\$ 45,638	\$ 43,970	\$ 1,668
Noncurrent liabilities	982,812	1,125,882	(143,070)
Total liabilities	<u>1,028,450</u>	<u>1,169,852</u>	<u>(141,402)</u>
Net position			
Invested in capital assets, net of related debt	1,366,511	1,382,753	(16,242)
Unrestricted	887,923	826,304	61,619
Total net position	<u>2,254,434</u>	<u>2,209,057</u>	<u>45,377</u>
Total liabilities and net position	<u>\$ 3,282,884</u>	<u>\$ 3,378,909</u>	<u>\$ (96,025)</u>

Both net position and current assets *increased* during the year ended May 31, 2018 which allowed the District to pay off additional principal on its noncurrent liabilities. Current assets consist primarily of cash, certificates of deposit treated as cash equivalents, property tax receivables, prepaid insurance premiums, and inventory. Capital assets include real estate and fire apparatus owned by the District. The District's noncurrent liabilities consist of the outstanding balances of four (4) notes payable along with the related accrued interest at year-end.

Significant capital outlays (>\$10,000) are being recorded as District capital assets and are being depreciated over their estimated useful lives. Capital assets presented here are shown net of their accumulated depreciation. Net position has been separated into two categories on the District's financial statements: 1) Invested in capital assets, net of related debt and 2) Unrestricted net position. Because capital assets are not very liquid (i.e. easily converted to cash) the District's equity in these assets has been separated and labeled as such. Unrestricted net position, however, represents the liquid portion of the District's net position that can be used to finance daily operations without constraints.

**DUNN'S CORNERS FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2018**

**CONDENSED GOVERNMENT-WIDE STATEMENTS *(Continued)***

Statement of Activities

	Governmental Activities		Increase
	2018	2017	(Decrease)
Program revenues			
Charges for services	\$ 296,889	\$ 331,293	\$ (34,404)
Capital grants and contributions	3,328	10,803	(7,475)
General revenues			
Property taxes and related interest	730,930	703,658	27,272
Interest income	2,716	1,116	1,600
Miscellaneous revenues	21,302	27,631	(6,329)
Total revenues	1,055,165	1,074,501	(19,336)
Program expenses			
Public safety - fire protection	951,537	861,232	90,305
Recreation - community building	19,589	17,116	2,473
Interest on long-term debt	38,662	40,576	(1,914)
Total expenses	1,009,788	918,924	90,864
Change in net position	45,377	155,577	(110,200)
Net position, beginning of year	2,209,057	2,053,480	155,577
Net position, end of year	<u>\$ 2,254,434</u>	<u>\$ 2,209,057</u>	<u>\$ 45,377</u>

Governmental Activities

Program and general revenues *decreased* from the prior year as tax sale collections were held in the prior year. Expenses, however, *increased* from the prior year due primarily to the purchases of new radios. Overall the financial position of the District *improved* by \$45,377 during the year ended May 31, 2018. This enabled the District to pay \$10,000 in additional principal on one (1) of its four (4) long term notes.

# **DUNN’S CORNERS FIRE DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2018**

## **FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

### Governmental Funds

The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. The District currently maintains six (6) governmental funds, all of which the District considers major funds: General Fund, Prevention Fund, Memorial Fund, Truck Fund, Equipment Fund, and the Building Fund.

At the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$821,809, an *increase* of \$58,729 in comparison with the prior year as greater capital expenditures were incurred. Approximately 38% or \$310,569 of this combined fund balance is unassigned fund balance, which is available for spending at the government’s discretion.

### General Fund Budgetary Highlights

At the District annual meeting in July 2017, there were additional appropriations totaling \$76,000 made to the budget to pay additional principal on one (1) of the District’s four (4) notes and to make various additional capital expenditures.

Overall actual expenditures were under budget by \$64,166 primarily as a result of lower than budgeted capital expenditures, fire chief salary and benefits, and firefighter salary. Overall actual revenues came in ahead of budget by \$4,596 primarily from miscellaneous income such as reimbursements from other fire departments and community building rental.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### Capital Assets

At May 31, 2018, the District had over \$4 million invested in various capital assets as listed below:

	Governmental Activities
Land	\$ 454,696
Buildings and improvements	1,565,908
Vehicles	2,010,839
Total	<u>\$ 4,031,443</u>

**DUNN’S CORNERS FIRE DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MAY 31, 2018**

**CAPITAL ASSET AND DEBT ADMINISTRATION (*Continued*)**

Noncurrent Liabilities

After making a total of \$143,070 in principal payments, the District was left with a total outstanding balance on all four (4) notes of \$982,812 at year end.

More detailed information on the District’s capital assets and noncurrent liabilities is presented in the notes to the financial statements.

**NEXT YEAR’S BUDGET AND RATES**

At its annual budget meeting in July 2018, the Dunn’s Corners Fire District adopted an \$1,084,269 budget for 2018-2019 and \$105,000 of additional appropriations using budgeted revenues of \$1,084,269 and assigned fund balance of \$105,000.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at Dunn’s Corners Fire District, 1 Langworthy Road, Westerly, RI 02891.

**DUNN'S CORNERS FIRE DISTRICT**  
**STATEMENT OF NET POSITION**  
**MAY 31, 2018**

**ASSETS**

	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS	
Cash and cash equivalents	\$ 853,167
Receivables	57,621
Inventory	3,420
Prepaid expenses	19,353
Total current assets	<u>933,561</u>
NONCURRENT ASSETS	
Capital assets, non-depreciable	454,696
Capital assets, net of accumulated depreciation	1,894,627
Total noncurrent assets	<u>2,349,323</u>
Total assets	<u><u>\$ 3,282,884</u></u>

**LIABILITIES AND NET POSITION**

CURRENT LIABILITIES	
Accounts payable	\$ 11,453
Accrued expenses	34,185
Total current liabilities	<u>45,638</u>
NONCURRENT LIABILITIES	
Due within one year	132,823
Due in more than one year	849,989
Total noncurrent liabilities	<u>982,812</u>
Total liabilities	1,028,450
NET POSITION	
Invested in capital assets, net of related debt	1,366,511
Unrestricted	887,923
Total net position	<u>2,254,434</u>
Total liabilities and net position	<u><u>\$ 3,282,884</u></u>

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

**DUNN'S CORNERS FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2018**

Functions / Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Capital Grants and Contributions	Revenue and Change in Net Position
GOVERNMENTAL ACTIVITIES				
Public safety - fire protection	\$ (951,537)	\$ 289,951	\$ 3,328	\$ (658,258)
Recreation - community building	(19,589)	6,938	-	(12,651)
Interest on long-term debt	(38,662)	-	-	(38,662)
	<u>\$ (1,009,788)</u>	<u>\$ 296,889</u>	<u>\$ 3,328</u>	<u>(709,571)</u>
GENERAL REVENUES				
Property taxes and related interest				730,930
Interest income				2,716
Miscellaneous revenues				21,302
Total general revenues				<u>754,948</u>
Change in net position				45,377
NET POSITION, beginning of year				<u>2,209,057</u>
NET POSITION, end of year				<u>\$ 2,254,434</u>

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

**DUNN'S CORNERS FIRE DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MAY 31, 2018**

**ASSETS**

		SPECIAL REVENUE		CAPITAL PROJECTS			TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	PREVENTION FUND	MEMORIAL FUND	TRUCK FUND	EQUIPMENT FUND	BUILDING FUND	
CURRENT ASSETS							
Cash and cash equivalents	\$ 853,167	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 853,167
Receivables	57,621	-	-	-	-	-	57,621
Due from other funds	-	73,767	4,885	83,493	125,145	118,950	406,240
Total current assets	<u>\$ 910,788</u>	<u>\$ 73,767</u>	<u>\$ 4,885</u>	<u>\$ 83,493</u>	<u>\$ 125,145</u>	<u>\$ 118,950</u>	<u>\$ 1,317,028</u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES**

CURRENT LIABILITIES							
Accounts payable	\$ 11,453	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,453
Accrued expenses	24,470	-	-	-	-	-	24,470
Due to other funds	406,240	-	-	-	-	-	406,240
Total current liabilities	<u>442,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>442,163</u>
DEFERRED INFLOWS OF RESOURCES							
Revenues - unavailable	53,056	-	-	-	-	-	53,056
Total deferred inflows of resources	<u>53,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,056</u>
FUND BALANCES							
Committed	-	-	4,885	83,493	125,145	118,950	332,473
Assigned	105,000	73,767	-	-	-	-	178,767
Unassigned	310,569	-	-	-	-	-	310,569
Total fund balances	415,569	73,767	4,885	83,493	125,145	118,950	821,809
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 910,788</u>	<u>\$ 73,767</u>	<u>\$ 4,885</u>	<u>\$ 83,493</u>	<u>\$ 125,145</u>	<u>\$ 118,950</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements	2,349,323
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds or recorded as period expenditures	75,829
Liabilities that are not due and payable in the current period, including accrued interest, are not reported in the funds	(992,527)
Net position of governmental activities	<u>\$ 2,254,434</u>

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



**DUNN'S CORNERS FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MAY 31, 2018**

	GENERAL FUND	SPECIAL REVENUE PREVENTION FUND	MEMORIAL FUND	TRUCK FUND	CAPITAL PROJECTS EQUIPMENT FUND	BUILDING FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES							
Property taxes and related interest	705,175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 705,175
Intergovernmental	270,414	-	-	-	-	-	270,414
Interest income	2,716	-	-	-	-	-	2,716
Misc. revenue	33,802	18,409	-	-	-	-	52,211
Total revenues	<u>1,012,107</u>	<u>18,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,030,516</u>
EXPENDITURES							
Current							
Public safety - fire protection	723,693	5,897	115	-	-	-	729,705
Recreation - community building	16,980	-	-	-	-	-	16,980
Debt service	181,929	-	-	-	-	-	181,929
Capital outlay	5,843	-	-	-	39,166	-	45,009
Total expenditures	<u>928,445</u>	<u>5,897</u>	<u>115</u>	<u>-</u>	<u>39,166</u>	<u>-</u>	<u>973,623</u>
Excess (deficiency) of revenues over expenditures	83,662	12,512	(115)	-	(39,166)	-	56,893
OTHER FINANCING SOURCES (USES)							
Insurance proceeds	1,836	-	-	-	-	-	1,836
Transfers in	-	-	-	40,000	60,000	30,000	130,000
Transfers out	(130,000)	-	-	-	-	-	(130,000)
Total other financing sources (uses)	<u>(128,164)</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>60,000</u>	<u>30,000</u>	<u>1,836</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	(44,502)	12,512	(115)	40,000	20,834	30,000	58,729
FUND BALANCE, beginning of year	<u>460,071</u>	<u>61,255</u>	<u>5,000</u>	<u>43,493</u>	<u>104,311</u>	<u>88,950</u>	<u>763,080</u>
FUND BALANCE, end of year	<u>\$ 415,569</u>	<u>\$ 73,767</u>	<u>\$ 4,885</u>	<u>\$ 83,493</u>	<u>\$ 125,145</u>	<u>\$ 118,950</u>	<u>\$ 821,809</u>

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

**DUNN'S CORNERS FIRE DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MAY 31, 2018**

Net change in fund balances - total governmental funds	\$ 58,729
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation (\$168,976) exceeded capital additions (\$9,664) in the current period.	(159,312)
The District's governmental funds use the purchase method with regard to expenditures for insurance premiums and inventory. This is the increase in prepaid insurance and inventory in the current period.	(14,947)
The issuance of long-term debt provides current financial resources of government funds, while the repayment of principal on long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position. This amount is the net decrease in long-term liabilities for the current period.	143,070
The liability for accrued interest does not effect the current financial resources of governmental funds, while the change increases or decreases net position. This amount is the decrease in accrued interest for the current period.	197
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>17,640</u>
Change in net position of governmental activities	<u><u>\$ 45,377</u></u>

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

**DUNN'S CORNERS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Dunn's Corners Fire District (the District) operates under the direction of an Operating Committee and provides fire protection services to the residents of designated areas of Westerly and Charlestown, Rhode Island. The District also provides fire protection services to other local fire districts under individual contracts.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

**REPORTING ENTITY**

The reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature of significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be incomplete or misleading as set forth by GASB. In evaluating how to define the reporting entity for financial statement reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The criterion has been considered and there are no agencies or entities which should be presented with this government.

**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental.

In the government-wide statement of net position, the governmental activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in two parts – invested in capital assets, net of related debt and unrestricted net position.

The government-wide statement of activities reports both the gross and net cost of the District's primary function of fire protection. This function is also supported by general government revenues (property taxes, interest, and miscellaneous income). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function. The net costs of fire protection are normally covered by general revenue (property taxes, interest, and miscellaneous income). The District does not allocate indirect costs.

**DUNN'S CORNERS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS  
*(Continued)***

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund equity, revenues, and expenditures. The various funds are reported by generic classification within the financial statements. The following fund types are used by the District:

1) Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

- a) General Fund. This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund.
- b) Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources that are legally restricted, committed, or assigned for specified purposes. The District currently maintains two special revenue funds, the Prevention Fund, which is used to account for inspection fee income which is used to pay for training activities and supplies, and the Memorial Fund which is to be used for future commemoration ceremonies of current and past members of the Dunn's Corners Fire Department. These funds are considered major funds for the year ended May 31, 2018.
- c) Capital Project Funds. These funds are used to account for the acquisition or construction of capital assets. The District currently maintains three capital project funds: the Truck Fund, the Equipment Fund, and the Building Fund. These funds are considered major funds for the year ended May 31, 2018.

When an expenditure is incurred for a purpose for which amounts in any unrestricted fund balance category could be used, committed fund balances are considered to have been spent first, followed by assigned fund balances and unassigned fund balances.

**DUNN'S CORNERS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS *(Continued)***

**BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1) Accrual:

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2) Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within sixty (60) days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due. The District uses the purchase method with regard to its expenditures for insurance premiums and inventory.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Based upon prior experience, management has not established an allowance for doubtful accounts for its delinquent property taxes or other receivables in its General Fund.

**INVENTORY**

Inventory consists of radio boxes purchased by the District for resale at cost to local establishments. These are carried at historical cost.

**DUNN'S CORNERS FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2018**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

**CAPITAL ASSETS**

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over estimated useful lives ranging from five (5) to forty (40) years.

GASB Statement No. 34 requires the District to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents the consumption of net position or fund balance that applies to a future period and so it will not be recognized as an expense or expenditure until then. For the year ended May 31, 2018, the District had no items that met the criterion for this category. In addition to liabilities, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position or fund balance that applies to a future period and so it will not be recognized as revenue until then. For the year ended May 31, 2018, the District had receivables in connection with property taxes, related interest and penalties which were considered unavailable for revenue recognition and were therefore presented as deferred inflows of resources. These are discussed further in *Note 5*.

**UNEARNED REVENUES**

Unearned revenues arise as liabilities in the government-wide and fund financial statements when assets are recognized before the related revenue recognition criteria have been satisfied. In the District, this consists of grants received before the eligibility and performance requirements have been met. As of May 31, 2018, the District did not have any unearned revenues.

**BUDGETS**

The District is required by state law to adopt an annual budget. The budget is presented on the modified accrual basis of accounting.

**DUNN'S CORNERS FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2018**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

**BUDGETS (*Continued*)**

The budget is developed by the District's Operating Committee and then presented to eligible voters for approval at the Annual Meeting held each July. The District's tax levy is also approved by the eligible voters at the Annual Meeting. There were five (5) additional appropriations totaling \$76,000 made during the 2017-2018 fiscal year (see *Note 7*).

Unexpended appropriations lapse at the end of the fiscal year.

**USE OF ESTIMATES**

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

**CASH EQUIVALENTS**

The District defines cash equivalents as liquid investments with an original maturity of three months or less. The District had cash equivalents of \$347,903 at May 31, 2018 which consisted of short-term certificate of deposits.

**FUND EQUITY AND NET POSITION**

In the government-wide financial statements, net position is classified in the following categories:

*Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

*Restricted Net Position* – This category represents constraints placed on net position use which are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* – This category represents the net position of the District, which is not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent:

*Nonspendable Fund Balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted Fund Balance* – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

**DUNN'S CORNERS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)**

**FUND EQUITY AND NET POSITION (*Continued*)**

*Committed Fund Balance* – This represents the portion of fund balance that can only be used for specific purposes imposed by the District's highest level of decision making authority (the Operating Committee) and presented to the District's voters for approval. In the District's Capital Project Funds, these are monies earmarked by the Operating Committee awaiting approval for specific projects by the District's voters.

*Assigned Fund Balance* – This classification includes amounts that are intended for a particular purpose, but are neither restricted nor committed. In the District's Prevention Fund (a Special Revenue Fund), these monies are earmarked and approved by the Fire Chief. In the General Fund, these monies represent fund balance set aside to balance the subsequent year's budget.

*Unassigned Fund Balance* – This represents amounts that are available for any purpose.

**APPLICATION OF ACCOUNTING STANDARDS**

There were no new accounting standards effective for the year ended May 31, 2018 which applied to the District.

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through November 19, 2018, the date the financial statements were available to be issued. There were no subsequent events identified which required disclosure and/or recognition in the financial statements for the year ended May 31, 2018.

**NOTE 2- CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Deposits and Investments - The District has no formal policy for deposits (cash and certificates of deposit treated as cash equivalents) and investments or a custodial credit risk policy and related credit risk policy for debt securities. However, as a practice, the District follows Rhode Island State Statutes which allows for the deposit of funds into savings accounts or certificates of deposit of commercial or savings banks or trust companies, or in obligations of the United States or its agencies, or in any other short term investment, as would be made by prudent persons of discretion and intelligence.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate increases. Generally, the District does not invest in any long-term investment obligations.

Concentration of Credit Risk – At May 31, 2018, the carrying amount of the District's deposits with financial institutions (including cash and certificates of deposit) was \$853,167 and the bank balance was \$917,253 of which \$529,852 was covered by federal depository insurance and \$387,401 was collateralized by debt securities held by the financial institution.



**DUNN'S CORNERS FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2018**

**NOTE 3- PROPERTY TAXES**

The District's property tax is levied and due between September 1<sup>st</sup> and September 30<sup>th</sup>, based on the assessed value listed as of December 31<sup>st</sup> of the previous year. Property taxes that have been levied and are due on or before year-end are recognized as revenue on the fund financial statements if they have been collected within sixty days after year-end. Property taxes receivable represents delinquent and uncollected taxes from the prior and current levies. Delinquent taxes accrue interest at 12% per annum. Property taxes receivable not collected within sixty days after year-end are reflected as deferred inflows of resources – revenues unavailable. An allowance has not been established for uncollectible taxes based on historical collection experience and because Rhode Island State Statutes provide for an immediate three-year lien on property related to delinquent taxes.

**NOTE 4- RISK MANAGEMENT AND LITIGATION**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. There have been no significant reductions in insurance coverage and settlements have not exceeded insurance coverage for each of the past three fiscal years. All risk management activities are accounted for in the general fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There were no claims outstanding at May 31, 2018.

**NOTE 5- RECEIVABLES**

At May 31, 2018, receivables consisted of the following:

	Fund Financials	Government- Wide
	General Fund	Governmental Activities
Property taxes	\$ 50,968	\$ 50,968
Interest and liens	4,592	4,592
Fire protection contracts and other	2,061	2,061
Receivables, gross	57,621	57,621
Allowance for doubtful accounts	-	-
Receivables, net	<u>\$ 57,621</u>	<u>\$ 57,621</u>

Governmental funds report *deferred inflows of resources* in connection with receivables that are not considered to be available to liquidate liabilities of the current period.

**DUNN'S CORNERS FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2018**

**NOTE 5- RECEIVABLES (Continued)**

At May 31, 2018, the District's deferred inflows of resources consisted of the following:

	Fund Financials	Government- Wide
	General Fund	Governmental Activities
Revenues - unavailable	53,056	\$ -

**NOTE 6- INTERFUND BALANCES AND TRANSFERS**

Interfund balances between governmental funds arise when receipts or disbursements are processed through one fund's cash accounts on behalf of another fund or from temporary advances of receipts. All balances are expected to be repaid within one year. As of May 31, 2018, the District's interfund balances were as follows:

	Due From	Due To
General Fund	\$ 406,240	\$ -
Special Revenue Fund - Prevention Fund	-	73,767
Special Revenue Fund - Memorial Fund	-	4,885
Capital Project Fund - Truck Fund	-	83,493
Capital Project Fund - Equipment Fund	-	125,145
Capital Project Fund - Building Fund	-	118,950
	<u>\$ 406,240</u>	<u>\$ 406,240</u>

Transfers represent nonreciprocal transactions between funds. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements. The District made the following transfers during the year ended May 31, 2018:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 130,000
Capital Project Fund - Truck Fund	40,000	-
Capital Project Fund - Equipment Fund	60,000	-
Capital Project Fund - Building Fund	30,000	-
	<u>\$ 130,000</u>	<u>\$ 130,000</u>

**DUNN'S CORNERS FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2018**

**NOTE 7- BUDGET MODIFICATIONS**

The following additional appropriations totaling \$76,000 were made to the District's budget for the year ended May 31, 2018:

Budget Line	Amount
Board of Engineers - personal protective equipment	\$ 10,000
Capital - principal - station 2	10,000
Capital - hot water system	6,000
Capital - security and information system upgrades	10,000
Capital - radio equipment	40,000
	<u>\$ 76,000</u>

**NOTE 8- CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES**

Changes in capital assets of governmental activities are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable assets				
Land	\$ 454,696	\$ -	\$ -	\$ 454,696
Total nondepreciable assets	454,696	-	-	454,696
Depreciable assets				
Buildings and improvements	1,556,244	9,664	-	1,565,908
Vehicles	2,010,839	-	-	2,010,839
Total depreciable assets	3,567,083	9,664	-	3,576,747
Total at historical cost	<u>4,021,779</u>	<u>9,664</u>	<u>-</u>	<u>4,031,443</u>
Less accumulated depreciation				
Buildings and improvements	507,926	47,323	-	555,249
Vehicles	1,005,218	121,653	-	1,126,871
Total accumulated depreciation	1,513,144	168,976	-	1,682,120
Governmental activities capital assets, net	<u>\$ 2,508,635</u>	<u>\$ (159,312)</u>	<u>\$ -</u>	<u>\$ 2,349,323</u>

Depreciation expense was charged to governmental functions as follows:

Public safety - fire protection	\$ 166,367
Recreation - community building	2,609
	<u>\$ 168,976</u>

**DUNN'S CORNERS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

**NOTE 9- NONCURRENT LIABILITIES – GOVERNMENTAL ACTIVITIES**

Noncurrent liabilities of the governmental activities for the year ended May 31, 2018 consist of the following:

Description of Obligation	Beginning Balance	Borrowings	Repayments	Ending Balance
Note payable dated 11/13/08, payable fifteen (15) years at \$56,667 per year plus interest at a variable rate equal to 80% of the New York Prime Rate (3.80% per annum at May 31, 2018). Original indebtedness was \$850,000 for the purchase of a ladder truck.	\$ 396,664	\$ -	\$ 56,667	\$ 339,997
Note payable dated 12/07/04, payable twenty-five (25) years at \$35,000 per year plus interest at 4.25% per annum. Original indebtedness was \$875,000 for the renovation of fire station # 2.	229,997	-	45,000	184,997
Note payable dated 09/05/14, payable fifteen (15) years with monthly payments of principal and interest at the Wall Street Journal prime rate minus one-half (.50%) percent (2.75% at May 31, 2018) Original indebtedness was \$520,000 for the purchase of engine # 4. The note is secured by engine # 4.	442,300	-	28,915	413,385
Note payable dated 08/23/16, payable five (5) years with monthly payments of principal and interest of \$1,168.82 at 3.00% per annum. Original indebtedness was \$65,000 for the purchase of the GMC Yukon. The note is secured by the GMC Yukon and a certificate of deposit.	56,921	-	12,488	44,433
<b>Total noncurrent liabilities</b>	<b>\$ 1,125,882</b>	<b>\$ -</b>	<b>\$ 143,070</b>	<b>\$ 982,812</b>
		Due within one year	\$ 132,823	
		Due in more than one year	849,989	
			<u>\$ 982,812</u>	

The District has pledged its full faith and credit as collateral for its indebtedness. The notes will be paid through the General Fund from taxes levied on taxable property in the District.

Interest paid by the District for the year ended May 31, 2018 was \$38,859. Total interest expense, including accrued interest, was \$38,662.

**DUNN'S CORNERS FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2018**

**NOTE 9- NONCURRENT LIABILITIES – GOVERNMENTAL ACTIVITIES *(Continued)***

The schedule of debt maturity (principal and interest) is as follows:

	\$850,000	\$875,000	\$520,000	\$65,000	
	Note	Note	Note	Note	Total
Principal Maturities					
May 31,					
2019	\$ 56,667	\$ 35,000	\$ 28,288	12,868	\$ 132,823
2020	56,667	35,000	29,514	13,257	134,438
2021	56,667	35,000	30,794	13,662	136,123
2022	56,667	35,000	32,128	4,646	128,441
2023	56,667	35,000	33,520	-	125,187
Thereafter	56,662	9,997	259,141	-	325,800
Total	\$ 339,997	\$ 184,997	\$ 413,385	\$ 44,433	\$ 982,812
Due within one year	\$ 56,667	\$ 35,000	\$ 28,288	\$ 12,868	\$ 132,823
Due in more than one year	283,330	149,997	385,097	31,565	849,989
Total	\$ 339,997	\$ 184,997	\$ 413,385	\$ 44,433	\$ 982,812
Interest Maturities					
May 31,					
2019	\$ 8,840	\$ 7,490	\$ 17,022	\$ 1,158	\$ 34,510
2020	7,367	6,003	15,796	768	29,934
2021	5,893	4,515	14,517	363	25,288
2022	4,419	3,028	13,182	30	20,659
2023	2,947	1,540	11,790	-	16,277
Thereafter	1,478	318	38,270	-	40,066
Total	\$ 30,944	\$ 22,894	\$ 110,577	\$ 2,319	\$ 166,734
Due within one year	\$ 8,840	\$ 7,490	\$ 17,022	\$ 1,158	\$ 34,510
Due in more than one year	22,104	15,404	93,555	1,161	132,224
Total	\$ 30,944	\$ 22,894	\$ 110,577	\$ 2,319	\$ 166,734

**DUNN'S CORNERS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

**NOTE 10- COMMITTED AND ASSIGNED FUND BALANCE**

At May 31, 2018, committed and assigned fund balances on the fund financial statements consisted of the following:

Purpose	Amount	Authority
<b>Committed</b>		
Acquisition of District vehicles	\$ 83,493	Operating Committee
Acquisition of firefighting equipment and apparatus	125,145	Operating Committee
Acquisition and improvement of District real property	118,950	Operating Committee
Future commemoration services	4,885	Operating Committee
	<u>\$ 332,473</u>	
<b>Assigned</b>		
Fire department training and supplies	\$ 73,767	Fire Chief
To balance 2018-2019 budget	105,000	Operating Committee
	<u>\$ 178,767</u>	

**NOTE 11- PENSION PLAN**

The District sponsors and administers a defined contribution profit sharing retirement plan under Section 401(k) of the Internal Revenue Code. At its sole discretion, the District may make matching and profit sharing contributions to eligible employees' accounts. As of May 31, 2018, the District's plan provided matching contributions of up to 7% of gross pay for employees who have worked 1,000 hours and are at least 21 years of age. Total District contributions to the plan for the year ended May 31, 2018 were \$2,569. As of May 31, 2018, there was one (1) participant in the plan.

**NOTE 12- FIRE PROTECTION CONTRACTS**

For the year ended May 31, 2018, the District had contracts with four (4) other area fire districts to provide fire protection services for an annual fee. The contracts, which range from four and one-half (4 ½ ) to five (5) years, have fees which are based on each participating districts' property tax assessment, the District's own applicable mill rate, and other factors. For the year ended May 31, 2018, fees earned under these contracts totaled \$270,414.

**DUNN'S CORNERS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2018**

**NOTE 13- EXPENDITURES IN EXCESS OF APPROPRIATIONS**

For the year ended May 31, 2018, the following expenditures were in excess of their budgeted appropriations by the following amounts:

Operating	
Clerk - advertising	\$ 1,637
Administrative assistant - office supplies	2,385
Operating committee - legal services	1,698
Operating committee - miscellaneous	5,423
Operating committee - special legal services	3,789
Operating committee - district tax contributions (all)	14,213
DCFD community building - fuel	41
DCFD community building - repairs/minor upgrades	4,439
Salary	
Office manager	2,945
Board of engineers	
Radios and pagers	2,692
Replacement equipment	63
Maintenance - engines/pumps	4,673
Maintenance - radios/alarm system	1,078
Supplies - truck fuel	359
Station #1 - fuel and electric	5,146
Station #2 - fuel and electric	2,897
Insurance	12,844
Telephone/cable service	156
Southern league	411
Dunn's Corners Fire Department	1,700
Engineers' expenses	1,004
Fire marshal inspection expense	222
NFPA required testing	510
Capital	
Interest - tower 5	479
Interest - engine 4	2,909
Principal - GMC Yukon	3,488
Interest - GMC Yukon	338

Total expenditures were not in excess of total appropriations for the year.

**DUNN'S CORNERS FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2018**

**NOTE 14- PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to May 31, 2018 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement 83, Certain Asset Retirement Obligations. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (ARO). The provisions of this statement are effective for reporting periods beginning after June 15, 2018 (the District's year ending May 31, 2020).

GASB Statement 84, Fiduciary Activities. The purpose of the statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. The provisions of this statement are effective for reporting periods beginning after December 15, 2018 (the District's year ending May 31, 2020).

GASB Statement 85, Omnibus 2017. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. The provisions of this statement are effective for reporting periods beginning after June 15, 2017 (the District's year ending May 31, 2019).

GASB Statement 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The provisions of this statement are effective for reporting periods beginning after June 15, 2017 (the District's year ending May 31, 2019).

GASB Statement 87, Leases. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions of this statement are effective for reporting periods beginning after December 15, 2019 (the District's year ending May 31, 2021).

GASB Statement 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018 (the District's year ending May 31, 2020).

GASB Statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest costs incurred before the end of a construction period. The requirements of this statement are effective for periods beginning after December 15, 2019 (the District's year ending May 31, 2021).



**DUNN'S CORNERS FIRE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**MAY 31, 2018**

**NOTE 14- PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE (*Continued*)**

GASB Statement 90, Majority Equity Interests – and amendment of GASB Statements No. 14 and 61. This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirement of this statement is effective for periods beginning after December 15, 2018 (the District's year ending May 31, 2020).

**DUNN'S CORNERS FIRE DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED MAY 31, 2018**

	ORIGINAL BUDGET	BUDGET ADJUSTMENTS	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>					
Property taxes	\$ 724,181	\$ -	\$ 724,181	\$ 705,175	\$ (19,006)
Outside district fees	265,330	-	265,330	270,414	5,084
Commercial inspection fees	6,000	-	6,000	-	(6,000)
Community building	6,000	-	6,000	6,938	938
MVAs	6,000	-	6,000	7,250	1,250
Interest income	-	-	-	2,716	2,716
Other income	-	-	-	19,614	19,614
Total revenues	1,007,511	-	1,007,511	1,012,107	4,596
<b>EXPENDITURES</b>					
<b>Operating</b>					
Clerk					
Advertising	1,000	-	1,000	2,637	(1,637)
Administrative assistant					
Office supplies	3,500	-	3,500	5,885	(2,385)
Information services	800	-	800	-	800
Stationary/postage	1,000	-	1,000	-	1,000
Tax collector/assessor					
Tax bills - Westerly/Charlestown	5,000	-	5,000	-	5,000
Information services	200	-	200	-	200
Professional education	50	-	50	-	50
Operating committee					
Legal services	4,500	-	4,500	6,198	(1,698)
Audit services	11,500	-	11,500	11,500	-
Miscellaneous	5,000	-	5,000	10,423	(5,423)
Payroll fees	2,100	-	2,100	1,361	739
401(k) admin fee	1,800	-	1,800	1,800	-
Consultant fees (treasurer)	3,500	-	3,500	824	2,676
Special legal services	10,000	-	10,000	13,789	(3,789)
District tax contributions (all)	19,000	-	19,000	33,213	(14,213)
DCFD community building					
Fuel	3,000	-	3,000	3,041	(41)
Repairs/minor upgrades	9,500	-	9,500	13,939	(4,439)
Total operating	81,450	-	81,450	104,610	(23,160)
<b>Salary</b>					
Clerk	1,200	-	1,200	1,200	-
Treasurer	2,000	-	2,000	2,000	-
Bookkeeper	3,000	-	3,000	3,000	-
Tax collector/assessor	6,500	-	6,500	4,955	1,545
Fire chief - salary and benefits	116,427	-	116,427	91,410	25,017
Office manager - salary	34,500	-	34,500	37,445	(2,945)
Administrative assistant - salary	7,500	-	7,500	6,390	1,110
Duty chiefs (3)	30,000	-	30,000	27,563	2,437
Fire fighter/facilities manager - salary and benefits	74,466	-	74,466	39,991	34,475
Leadership incentives	5,000	-	5,000	4,329	671
Moderator	800	-	800	800	-
Total salary	281,393	-	281,393	219,083	62,310
<b>Board of Engineers</b>					
Personal protective equipment	22,000	10,000	32,000	29,028	2,972
Radios and pagers	7,000	-	7,000	9,692	(2,692)
Replacement equipment	20,000	-	20,000	20,063	(63)
Maintenance - engines/pumps	37,000	-	37,000	41,673	(4,673)
Maintenance - radios/alarm system	3,500	-	3,500	4,578	(1,078)
Hydrant rental	10,000	-	10,000	9,585	415
Supplies - truck fuel	6,000	-	6,000	6,359	(359)
Station #1 - fuel and electric	12,000	-	12,000	17,146	(5,146)
Station #2 - fuel and electric	10,000	-	10,000	12,897	(2,897)
Insurance	63,000	-	63,000	75,844	(12,844)
General maintenance and supplies	15,000	-	15,000	14,580	420
Telephone/cable service	8,100	-	8,100	8,256	(156)
Dispatch service	12,000	-	12,000	10,932	1,068

*Continued*

*See independent auditors' report*

**DUNN'S CORNERS FIRE DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED MAY 31, 2018**

	ORIGINAL BUDGET	BUDGET ADJUSTMENTS	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
Southern league	2,000	-	2,000	2,411	(411)
Dunn's Corners Fire Department	13,000	-	13,000	14,700	(1,700)
Engineers' expenses	5,500	-	5,500	6,504	(1,004)
Information services	6,500	-	6,500	6,162	338
Fire marshal inspection expense	3,800	-	3,800	4,022	(222)
NFPA required testing	14,500	-	14,500	15,010	(510)
Wireless communications	4,500	-	4,500	3,380	1,120
Firefighter reimbursement program	69,000	-	69,000	67,204	1,796
Training	25,000	-	25,000	24,762	238
Firefighter health plan	9,000	-	9,000	7,219	1,781
EMS equipment	5,500	-	5,500	4,972	528
Bradford expenses	1	-	1	1	-
Total Board of Engineers	383,901	10,000	393,901	416,980	(23,079)
Capital					
Equipment fund	60,000	-	60,000	60,000	-
Principal - tower 5	56,667	-	56,667	56,667	-
Truck fund	40,000	-	40,000	40,000	-
Principal - station 2	35,000	10,000	45,000	45,000	-
Principal - engine 4	30,000	-	30,000	28,915	1,085
Buildings and grounds fund	30,000	-	30,000	30,000	-
Interest - station 2	13,000	-	13,000	8,933	4,067
Interest - tower 5	12,500	-	12,500	12,979	(479)
Interest - engine 4	12,500	-	12,500	15,409	(2,909)
Principal - GMC Yukon	9,000	-	9,000	12,488	(3,488)
Interest - GMC Yukon	1,200	-	1,200	1,538	(338)
Hot water system	-	6,000	6,000	-	6,000
Security and information system upgrades	-	10,000	10,000	2,410	7,590
Radio equipment	-	40,000	40,000	3,433	36,567
Alarm System	-	-	-	-	-
Total capital	299,867	66,000	365,867	317,772	48,095
Total expenditures	1,046,611	76,000	1,122,611	1,058,445	64,166
Excess (deficiency) of revenues over expenditures	(39,100)	(76,000)	(115,100)	(46,338)	68,762
OTHER FINANCING SOURCES					
Insurance proceeds	-	-	-	1,836	1,836
Total other financing sources	-	-	-	1,836	1,836
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ (39,100)</u>	<u>\$ (76,000)</u>	<u>\$ (115,100)</u>	<u>\$ (44,502)</u>	<u>\$ 70,598</u>

*See independent auditors' report*