

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

**BASIC FINANCIAL STATEMENTS
MAY 31, 2016**

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, 2016, 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, 2016, 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 32 – 33 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 March 20, 2017, 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.

Hayt, Filippetti & Malaghan, LLC

Groton, Connecticut
March 20, 2017

**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, 2016, 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 March 20, 2017.

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 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

March 20, 2017

DUNN'S CORNERS FIRE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2016

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, 2016; as such, it should be read in conjunction with the District's audited financial statements. The District's financials consists 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, 2016

CONDENSED GOVERNMENT-WIDE STATEMENTS

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

Statement of Net Position

	Governmental Activities 2016	2015	Increase (Decrease)
Current assets	\$ 790,759	\$ 870,490	\$ (79,731)
Capital assets, net	2,615,532	2,637,269	(21,737)
Total assets	<u>\$ 3,406,291</u>	<u>\$ 3,507,759</u>	<u>\$ (101,468)</u>
Current liabilities	\$ 72,443	\$ 72,060	\$ 383
Noncurrent liabilities	1,280,368	1,435,934	(155,566)
Total liabilities	<u>1,352,811</u>	<u>1,507,994</u>	<u>(155,183)</u>
Net position			
Invested in capital assets, net of related debt	1,335,164	1,201,335	133,829
Unrestricted	718,316	798,430	(80,114)
Total net position	<u>2,053,480</u>	<u>1,999,765</u>	<u>53,715</u>
Total liabilities and net position	<u>\$ 3,406,291</u>	<u>\$ 3,507,759</u>	<u>\$ (101,468)</u>

Net position *increased* during the year ended May 31, 2016 while current assets *decreased* as the excess of revenues over expenses was used to pay off additional principal on the District's noncurrent liabilities. Current assets consist primarily of certificates of deposit, property tax receivables, 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 three (3) 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, 2016**

CONDENSED GOVERNMENT-WIDE STATEMENTS *(Continued)*

Statement of Activities

	Governmental Activities 2016	2015	Increase (Decrease)
Program revenues			
Charges for services	\$ 264,399	\$ 247,543	\$ 16,856
Capital grants and contributions	19,982	17,627	2,355
General revenues			
Property taxes and related interest	674,060	692,292	(18,232)
Interest income	1,249	849	400
Gain on sale of capital assets	1,050	115,751	(114,701)
Miscellaneous revenues	20,989	11,339	9,650
Total revenues	981,729	1,085,401	(103,672)
Program expenses			
Public safety - fire protection	866,979	807,728	59,251
Recreation - community building	17,548	5,572	11,976
Interest expense	43,487	45,399	(1,912)
Total expenses	928,014	858,699	69,315
Change in net position	53,715	226,702	(172,987)
Net position, beginning of year	1,999,765	1,773,063	226,702
Net position, end of year	<u>\$ 2,053,480</u>	<u>\$ 1,999,765</u>	<u>\$ 53,715</u>

Governmental Activities

Program revenues *increased* from the prior year as fire protection contracts and fee revenues were renegotiated with other area fire districts. Expenses also *increased* during the year as a result of *increased* depreciation resulting from new capital asset acquisitions. Overall the financial position of the District *improved* by \$53,715 during the year ended May 31, 2016. This enabled the District to pay \$35,000 in additional principal on one (1) of its three (3) long term notes.

DUNN'S CORNERS FIRE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2016

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 five (5) governmental funds, all of which the District considers major funds: General Fund, Prevention 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 \$633,326, a *decrease* of \$136,220 in comparison with the prior year as the proceeds received in the prior year from the sale of a fire engine were reinvested in new capital expenditures. Approximately 52% or \$331,224 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 2015, there were additional appropriations totaling \$254,000 made to the budget to pay additional principal on the balance on one (1) of the District's three (3) notes and to make various additional capital expenditures.

Overall actual expenditures were under budget by \$89,625 primarily as a result of lower than budgeted capital expenditures. Overall actual revenues came in ahead of budget by \$44,955 primarily from the renegotiated fire protection contract, as well as the receipt of unbudgeted grant income of approximately \$20,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At May 31, 2016, the District had almost \$4 million invested in various capital assets as listed below:

	Governmental Activities
Land	\$ 454,696
Buildings and improvements	1,556,244
Vehicles	1,945,839
Total	<u>\$ 3,956,779</u>

During the fiscal year ended May 31, 2016, the District added \$139,830 in new capital assets. This includes \$23,995 incurred for bay door replacement, purchase of a pond boat for \$20,173, and the acquisition and installation of an alarm system for \$95,662.

DUNN'S CORNERS FIRE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MAY 31, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION (*Continued*)

Noncurrent Liabilities

During the year ended May 31, 2016, the Dunn's Corners Fire District made its scheduled principal payments on three (3) of its notes payable of \$120,566, plus additional principal payments totaling \$35,000, leaving a total outstanding balance on all three (3) notes of \$1,280,368 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 2016, the Dunn's Corners Fire District adopted an \$959,533 budget for 2016-2017 and \$46,000 of additional appropriations using a tax levy of \$700,505, fire protection fees of \$250,394, other income of \$16,000, and assigned fund balance of \$38,634.

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, 2016

ASSETS

	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS	
Cash and cash equivalents	\$ 676,212
Receivables	53,814
Inventory	42,550
Prepaid expenses	18,183
Total current assets	<u>790,759</u>
NONCURRENT ASSETS	
Capital assets, non-depreciable	454,696
Capital assets, net of accumulated depreciation	<u>2,160,836</u>
Total noncurrent assets	<u>2,615,532</u>
Total assets	<u><u>\$ 3,406,291</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts payable	\$ 56,724
Accrued expenses	<u>15,719</u>
Total current liabilities	72,443
NONCURRENT LIABILITIES	
Due within one year	121,407
Due in more than one year	<u>1,158,961</u>
Total noncurrent liabilities	<u>1,280,368</u>
Total liabilities	1,352,811
NET POSITION	
Invested in capital assets, net of related debt	1,335,164
Unrestricted	<u>718,316</u>
Total net position	<u>2,053,480</u>
Total liabilities and net position	<u><u>\$ 3,406,291</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, 2016**

Functions / Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Capital Grants and Contributions	Revenue and Change in Net Position
Governmental Activities				
GOVERNMENTAL ACTIVITIES				
Public safety - fire protection	\$ (866,979)	\$ 260,004	\$ 19,982	\$ (586,993)
Recreation - community building	(17,548)	4,395	-	(13,153)
Interest expense	(43,487)	-	-	(43,487)
	<u>\$ (928,014)</u>	<u>\$ 264,399</u>	<u>\$ 19,982</u>	<u>(643,633)</u>
GENERAL REVENUES				
Property taxes and related interest				674,060
Interest income				1,249
Gain on sale of capital assets				1,050
Miscellaneous revenues				20,989
Total general revenues				<u>697,348</u>
Change in net position				53,715
NET POSITION, beginning of year				<u>1,999,765</u>
NET POSITION, end of year				<u>\$ 2,053,480</u>

The accompanying notes are an integral part of these financial statements

**DUNN'S CORNERS FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
MAY 31, 2016**

ASSETS

	GENERAL FUND	SPECIAL REVENUE PREVENTION FUND	TRUCK FUND	CAPITAL PROJECTS EQUIPMENT FUND	BUILDING FUND	TOTAL GOVERNMENTAL FUNDS
CURRENT ASSETS						
Cash and cash equivalents	\$ 676,212	\$ -	\$ -	\$ -	\$ -	\$ 676,212
Receivables, net	53,814	-	-	-	-	53,814
Due from other funds	-	48,664	73,493	54,311	87,000	263,468
Total current assets	<u>\$ 730,026</u>	<u>\$ 48,664</u>	<u>\$ 73,493</u>	<u>\$ 54,311</u>	<u>\$ 87,000</u>	<u>\$ 993,494</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

CURRENT LIABILITIES						
Accounts payable	\$ 56,724	\$ -	\$ -	\$ -	\$ -	\$ 56,724
Accrued expenses	4,123	-	-	-	-	4,123
Due to other funds	263,468	-	-	-	-	263,468
Total current liabilities	<u>324,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>324,315</u>
DEFERRED INFLOWS OF RESOURCES						
Revenues - unavailable	35,853	-	-	-	-	35,853
Total deferred inflows of resources	<u>35,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,853</u>
FUND BALANCES						
Committed	-	-	73,493	54,311	87,000	214,804
Assigned	38,634	48,664	-	-	-	87,298
Unassigned	331,224	-	-	-	-	331,224
Total fund balances	<u>369,858</u>	<u>48,664</u>	<u>73,493</u>	<u>54,311</u>	<u>87,000</u>	<u>633,326</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 730,026</u>	<u>\$ 48,664</u>	<u>\$ 73,493</u>	<u>\$ 54,311</u>	<u>\$ 87,000</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	2,615,532
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds or recorded as period expenditures	96,586
Liabilities that are not due and payable in the current period are not reported in the funds	(1,291,964)
Net position of governmental activities	<u>\$ 2,053,480</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, 2016**

	GENERAL FUND	SPECIAL REVENUE PREVENTION FUND	TRUCK FUND	CAPITAL PROJECTS EQUIPMENT FUND	BUILDING FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Property taxes and related interest	\$ 669,573	\$ -	\$ -	\$ -	\$ -	\$ 669,573
Intergovernmental	232,253	-	-	-	-	232,253
Interest income	1,249	-	-	-	-	1,249
Misc. revenue	48,880	17,802	-	-	-	66,682
Total revenues	<u>951,955</u>	<u>17,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>969,757</u>
EXPENDITURES						
Current						
Public safety - fire protection	660,221	6,236	-	-	-	666,457
Recreation - community building	17,548	-	-	-	-	17,548
Debt service	200,110	-	-	-	-	200,110
Capital outlay	124,730	-	-	98,182	-	222,912
Total expenditures	<u>1,002,609</u>	<u>6,236</u>	<u>-</u>	<u>98,182</u>	<u>-</u>	<u>1,107,027</u>
Excess (deficiency) of revenues over expenditures	(50,654)	11,566	-	(98,182)	-	(137,270)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital asset	1,050	-	-	-	-	1,050
Transfers in	-	-	35,000	45,000	25,000	105,000
Transfers out	(105,000)	-	-	-	-	(105,000)
Total other financing sources (uses)	<u>(103,950)</u>	<u>-</u>	<u>35,000</u>	<u>45,000</u>	<u>25,000</u>	<u>1,050</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	(154,604)	11,566	35,000	(53,182)	25,000	(136,220)
FUND BALANCE, beginning of year	<u>524,462</u>	<u>37,098</u>	<u>38,493</u>	<u>107,493</u>	<u>62,000</u>	<u>769,546</u>
FUND BALANCE, end of year	<u>\$ 369,858</u>	<u>\$ 48,664</u>	<u>\$ 73,493</u>	<u>\$ 54,311</u>	<u>\$ 87,000</u>	<u>\$ 633,326</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, 2016

Net change in fund balances - total governmental funds	\$ (136,220)
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 (\$161,567) exceeded capital additions (\$139,830) in the current period.	(21,737)
Government funds do not report gains and losses from the sale or disposition of capital assets. This is the amount of gain on the sale of capital assets in the current period.	1,050
Government funds report the proceeds from the sale of capital assets as other financing sources.	(1,050)
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.	44,127
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.	155,566
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.	1,057
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>10,922</u>
Change in net position of governmental activities	<u><u>\$ 53,715</u></u>

The accompanying notes are an integral part of these financial statements

DUNN'S CORNERS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016

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, 2016**

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 one special revenue fund, the Prevention Fund, which is used to account for inspection fee income which is used to pay for training activities and supplies. This fund is considered a major fund for the year ended May 31, 2016.
- 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, 2016.

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, 2016**

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, 2016**

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, 2016, 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, 2016, the District had receivables in connection with property taxes, related interest and penalties, and fire protection contract fees 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, 2016, 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, 2016**

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 eight (8) additional appropriations totaling \$254,000 made during the 2015-2016 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 \$332,080 at May 31, 2016 which consisted of a short-term certificate of deposit.

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:

**DUNN'S CORNERS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016**

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

FUND EQUITY AND NET POSITION (*Continued*)

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.

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.

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, 2016 which applied to the District.

SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through March 20, 2017, 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, 2016.

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.

DUNN'S CORNERS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 2- CASH AND CASH EQUIVALENTS AND INVESTMENTS *(Continued)*

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, 2016, the carrying amount of the District's deposits with financial institutions (including cash and certificates of deposit) was \$676,212 and the bank balance was \$713,221 of which \$532,666 was covered by federal depository insurance and \$180,555 was collateralized by debt securities held by the financial institution.

NOTE 3- PROPERTY TAXES

The District's property tax is levied and due between September 1st and September 30th, based on the assessed value listed as of December 31st 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, 2016.

DUNN'S CORNERS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 5- RECEIVABLES

At May 31, 2016, receivables consisted of the following:

	Fund Financials	Government Wide
	General Fund	Governmental Activities
Property taxes	\$ 30,870	\$ 30,870
Interest and liens	2,014	2,014
Fire protection contracts and other	20,930	20,930
Receivables, gross	53,814	53,814
Allowance for doubtful accounts	-	-
Receivables, net	<u>\$ 53,814</u>	<u>\$ 53,814</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.

At May 31, 2016, the District's deferred inflows of resources consisted of the following:

	Fund Financials	Government- Wide
	General Fund	Governmental Activities
Revenues - unavailable	<u>\$ 35,853</u>	<u>\$ -</u>

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, 2016, the District's interfund balances were as follows:

	Due From	Due To
General Fund	\$ 263,468	\$ -
Special Revenue Fund - Prevention Fund	-	48,664
Capital Project Fund - Truck Fund	-	73,493
Capital Project Fund - Equipment Fund	-	54,311
Capital Project Fund - Building Fund	-	87,000
	<u>\$ 263,468</u>	<u>\$ 263,468</u>

**DUNN'S CORNERS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016**

NOTE 6- INTERFUND BALANCES AND TRANSFERS *(Continued)*

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, 2016:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 105,000
Capital Project Fund - Truck Fund	35,000	-
Capital Project Fund - Equipment Fund	45,000	-
Capital Project Fund - Building Fund	25,000	-
	<u>\$ 105,000</u>	<u>\$ 105,000</u>

Transfers totaling \$105,000 were made to provide funding for current and future expenditures of the District's three capital projects funds and to reallocate resources between the funds.

NOTE 7- BUDGET MODIFICATIONS

The following additional appropriations totaling \$254,000 were made to the District's budget for the year ended May 31, 2016:

<u>Budget Line</u>	<u>Amount</u>
Board of Engineers - training	\$ 5,000
Capital - principal - station 2	35,000
Capital - wireless radio alarm boxes	76,000
Capital - repeater site installation	18,000
Capital - bay doors repair and replacement	35,000
Capital - pond boat purchase	25,000
Capital - phone system	10,000
Capital - capital item contingency	50,000
	<u>\$ 254,000</u>

DUNN'S CORNERS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016

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	1,436,587	119,657	-	1,556,244
Vehicles	1,925,666	20,173	-	1,945,839
Total depreciable assets	3,362,253	139,830	-	3,502,083
Total at historical cost	3,816,949	139,830	-	3,956,779
Less accumulated depreciation				
Buildings and improvements	416,832	43,852	-	460,684
Vehicles	762,848	117,715	-	880,563
Total accumulated depreciation	1,179,680	161,567	-	1,341,247
Governmental activities capital assets, net	\$ 2,637,269	\$ (21,737)	\$ -	\$ 2,615,532

Depreciation expense was charged to governmental functions as follows:

Public safety - fire protection	\$ 158,958
Recreation - community building	2,609
	<u>\$ 161,567</u>

The increase in capital assets totaling \$139,830 for the year ended May 31, 2016 includes \$23,995 incurred for bay door replacement, purchase of a pond boat for \$20,173, and the acquisition and installation of an alarm system for \$95,662.

DUNN'S CORNERS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 9- NONCURRENT LIABILITIES – GOVERNMENTAL ACTIVITIES

Noncurrent liabilities of the governmental activities for the year ended May 31, 2016 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 (2.80% per annum at May 31, 2016). Original indebtedness was \$850,000 for the purchase of a ladder truck.	\$ 509,998	\$ -	\$ 56,667	\$ 453,331
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.	424,997	-	70,000	354,997
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, 2016) Original indebtedness was \$520,000 for the purchase of engine # 4. The note is secured by engine # 4.	500,939	-	28,899	472,040
Total noncurrent liabilities	\$1,435,934	\$ -	\$ 155,566	\$ 1,280,368
	Due within one year			\$ 121,407
	Due in more than one year			1,158,961
				<u>\$ 1,280,368</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, 2016 was \$44,544. Total interest expense, including accrued interest, was \$43,487.

DUNN'S CORNERS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 9- NONCURRENT LIABILITIES – GOVERNMENTAL ACTIVITIES (Continued)

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

	\$850,000	\$875,000	\$520,000	
	Note	Note	Note	Total
Principal Maturities				
May 31,				
2017	\$ 56,667	\$ 35,000	\$ 29,740	\$ 121,407
2018	56,667	35,000	30,568	122,235
2019	56,667	35,000	31,419	123,086
2020	56,667	35,000	32,267	123,934
2021	56,667	35,000	33,193	124,860
Thereafter	169,996	179,997	314,853	664,846
Total	\$ 453,331	\$ 354,997	\$ 472,040	\$ 1,280,368
Due within one year	\$ 56,667	\$ 35,000	\$ 29,740	\$ 121,407
Due in more than one year	396,664	319,997	442,300	1,158,961
Total	\$ 453,331	\$ 354,997	\$ 472,040	\$ 1,280,368
Interest Maturities				
May 31,				
2017	\$ 11,787	\$ 14,715	\$ 12,610	\$ 39,112
2018	10,313	13,228	11,783	35,324
2019	8,840	11,740	10,931	31,511
2020	7,367	10,253	10,083	27,703
2021	5,893	8,765	9,158	23,816
Thereafter	8,845	21,673	37,831	68,349
Total	\$ 53,045	\$ 80,374	\$ 92,396	\$ 225,815
Due within one year	\$ 11,787	\$ 14,715	\$ 12,610	\$ 39,112
Due in more than one year	41,258	65,659	79,786	186,703
Total	\$ 53,045	\$ 80,374	\$ 92,396	\$ 225,815

DUNN'S CORNERS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 10- COMMITTED AND ASSIGNED FUND BALANCE

At May 31, 2016, committed and assigned fund balances on the fund financial statements consisted of the following:

Purpose	Amount	Authority
Committed		
Acquisition of District vehicles	\$ 73,493	Operating Committee
Acquisition of firefighting equipment and apparatus	54,311	Operating Committee
Acquisition and improvement of District real property	87,000	Operating Committee
	<u>\$ 214,804</u>	
Assigned		
Fire department training and supplies	\$ 48,664	Fire Chief
To balance 2016-2017 budget	38,634	Operating Committee
	<u>\$ 87,298</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, 2016, 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, 2016 were \$8,847. As of May 31, 2016, there were three (3) participants in the plan.

NOTE 12- FIRE PROTECTION CONTRACTS

For the year ended May 31, 2016, 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, 2016, fees earned under these contracts totaled \$238,443.

DUNN'S CORNERS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 13- EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended May 31, 2016, the following expenditures were in excess of their budgeted appropriations by the following amounts:

Operating	
Clerk - advertising	\$ 202
Administrative assistant - office supplies	1,708
Tax collector/assessor - operating supplies	1,312
Tax collector/assessor - tax sale fees	5,597
Operating committee - miscellaneous	2,493
Operating committee - special legal services	975
Operating committee - district tax contributions (all)	2,616
DCFD community building - repairs/minor upgrades	268
Salary	
Fire chief - salary and benefits	59
Duty chiefs (3)	1,792
Board of engineers	
Personal protective equipment	965
Radios and pagers	3,127
Maintenance - engines/pumps	8,861
Insurance	7,490
General maintenance and supplies	1,578
Telephone/cable service	1,275
Information services	662
Fire marshal inspection expense	1,094
Firefighter health plan	953
Unanticipated repairs	5,075
Funeral service	5,367
Capital	
Repeater site installation	6,211
Pond boat purchase	3,936

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

DUNN'S CORNERS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016

NOTE 14- PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to May 31, 2016 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 72, Fair Value Measurement and Application. This statement establishes accounting and financial reporting related to fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining fair value measurements for financial reporting purposes and is effective for reporting periods beginning after June 15, 2015 (the District's year ending May 31, 2017).

GASB Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions, and amends certain provisions of Statement No. 67 and 68, for pension plans that are within their respective scopes. The provisions of this statement are effective for fiscal years beginning after June 15, 2015 (the District's year ending May 31, 2017) except for those provisions that are not within the scope of Statement No. 68, which are effective for fiscal years beginning after June 15, 2016 (the District's year ending May 31, 2018).

GASB Statement 74, Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans. This statement establishes new accounting and financial reporting requirements for governments whose employees are provided with Other Post Employment Benefits ("OPEB"), as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this statement are effective for fiscal years beginning after June 15, 2016 (the District's year ending May 31, 2018).

GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The provisions of this statement are effective for fiscal years beginning after June 15, 2017 (the District's year ending May 31, 2019).

DUNN'S CORNERS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016

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

GASB Statement 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The provisions of this statement are effective for fiscal years beginning after June 15, 2015 (the District's year ending May 31, 2017) and should be applied retroactively.

GASB Statement 77, Tax Abatement Disclosures. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The provisions of this statement are effective for fiscal years beginning after December 15, 2015 (the District's year ending May 31, 2017).

GASB Statement 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Plans. The requirements of this Statement amends the applicability of Statement 68 to exclude such pensions provided to state or local governmental employees through cost-sharing multiple-employer defined benefit pension plans which meet certain criteria. It also establishes requirements for recognition and measurement of pension related amounts and disclosures. The provisions of this statement are effective for fiscal years beginning after December 15, 2015 (the District's year ending May 31, 2017).

GASB Statement 79, Certain External Investment Pools and Pool Participants. The requirements of this standard establishes criteria to report investments at amortization cost by certain external investment pools. The provisions of this statement are effective for fiscal years beginning after June 15, 2015 (the District's year ending May 31, 2017), with certain provisions effective for the fiscal years beginning after December 15, 2015 (also the District's year ending May 31, 2017).

GASB Statement 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14. The requirements of this Statement clarifies the financial statement presentation for certain component units by amending GASB Statement No. 14 to include blending of a component unit which is incorporated as a not-for-profit for which the primary government is the sole corporate member. The provisions of this statement are effective for fiscal years beginning after June 15, 2016 (the District's year ending May 31, 2017).

GASB Statement 81, Irrevocable Split-Interest Agreements. The requirements of this Statement provide recognition and measurement guidance for instances in which the government is a beneficiary of a split-interest agreement by requiring the recognition of assets, liabilities, and deferred inflows of resources at the inception of the agreement. The provisions of this statement are effective for fiscal years beginning after December 15, 2016 (the District's year ending May 31, 2018).

**DUNN'S CORNERS FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2016**

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

GASB Statement 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73. The requirements of this Statement is to clarify certain issues in regard to GASB Statements No. 67, 68, and 73 with regard to (1) required supplementary information presentation for payroll related measures, (2) assumption selections and treatment of deviations from an Actuarial Standard of Practice guidance for financial reporting purposes, and (3) payment classification for employee contribution requirements. The provisions of this statement are effective for fiscal years beginning after June 15, 2016 (the District's year ending May 31, 2017).

DUNN'S CORNERS FIRE DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED MAY 31, 2016

	ORIGINAL BUDGET	BUDGET ADJUSTMENTS	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES					
Property taxes	\$ 669,000	\$ -	\$ 669,000	\$ 669,573	\$ 573
Outside district fees	220,000	-	220,000	232,253	12,253
Commercial inspection fees	8,000	-	8,000	-	(8,000)
Community building	4,000	-	4,000	4,395	395
MVAs	6,000	-	6,000	14,974	8,974
Interest income	-	-	-	1,249	1,249
Other income	-	-	-	29,511	29,511
Total revenues	907,000	-	907,000	951,955	44,955
EXPENDITURES					
Operating					
Clerk					
Advertising	500	-	500	702	(202)
Administrative assistant					
Office supplies	2,500	-	2,500	4,208	(1,708)
Information services	500	-	500	-	500
Stationary/postage	1,000	-	1,000	100	900
Tax collector/assessor					
Tax bills - Westerly/Charlestown	5,000	-	5,000	3,676	1,324
Information services	200	-	200	-	200
Operating supplies	250	-	250	1,562	(1,312)
Stationary/postage	-	-	-	-	-
Professional education	50	-	50	-	50
Tax sale fees	-	-	-	5,597	(5,597)
Operating committee					
Legal services	4,500	-	4,500	842	3,658
Audit services	11,500	-	11,500	11,500	-
Miscellaneous	5,000	-	5,000	7,493	(2,493)
Payroll fees	1,500	-	1,500	1,375	125
Consultant fees (treasurer)	2,000	-	2,000	1,577	423
Special legal services	5,000	-	5,000	5,975	(975)
District tax contributions (all)	13,500	-	13,500	16,116	(2,616)
DCFD community building					
Fuel	4,500	-	4,500	2,280	2,220
Repairs/minor upgrades	15,000	-	15,000	15,268	(268)
Total operating	72,500	-	72,500	78,271	(5,771)
Salary					
Clerk	800	-	800	800	-
Treasurer	2,000	-	2,000	2,000	-
Bookkeeper	1,800	-	1,800	1,800	-
Tax collector/assessor	6,000	-	6,000	5,465	535
Fire chief - salary and benefits	107,500	-	107,500	107,559	(59)
Administrative assistant - salary	28,800	-	28,800	28,798	2
Duty chiefs (3)	30,000	-	30,000	31,792	(1,792)
Fire fighter/facilities manager - salary and benefits	47,600	-	47,600	46,033	1,567
Leadership incentives	10,000	-	10,000	2,360	7,640
Total salary	234,500	-	234,500	226,607	7,893
Board of Engineers					
Personal protective equipment	15,000	-	15,000	15,965	(965)
Radios and pagers	6,000	-	6,000	9,127	(3,127)
Replacement equipment	14,587	-	14,587	13,170	1,417
Maintenance - engines/pumps	33,100	-	33,100	41,961	(8,861)
Maintenance - radios/alarm system	4,000	-	4,000	3,186	814
Hydrant rental	10,000	-	10,000	9,633	367
Supplies - truck fuel	10,000	-	10,000	6,813	3,187
Station #1 - fuel and electric	17,000	-	17,000	10,810	6,190
Station #2 - fuel and electric	13,500	-	13,500	8,120	5,380
Insurance	59,500	-	59,500	66,990	(7,490)
General maintenance and supplies	13,500	-	13,500	15,078	(1,578)
Telephone/cable service	6,000	-	6,000	7,275	(1,275)
Dispatch service	11,000	-	11,000	10,957	43

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DUNN'S CORNERS FIRE DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED MAY 31, 2016

	ORIGINAL BUDGET	BUDGET ADJUSTMENTS	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<i>Continued</i>					
Southern league	2,000	-	2,000	2,000	-
Dunn's Corners Fire Department	13,000	-	13,000	13,000	-
Engineers' expenses	6,500	-	6,500	5,809	691
Information services	6,580	-	6,580	7,242	(662)
Fire marshal inspection expense	3,800	-	3,800	4,894	(1,094)
NFPA required testing	14,500	-	14,500	14,500	-
Wireless communications	6,500	-	6,500	6,370	130
Firefighter reimbursement program	64,000	-	64,000	60,125	3,875
Training	20,000	5,000	25,000	20,547	4,453
Firefighter health plan	2,500	-	2,500	3,453	(953)
EMS Equipment	5,500	-	5,500	5,424	76
Unanticipated repairs	-	-	-	5,075	(5,075)
Funeral service	-	-	-	5,367	(5,367)
Total Board of Engineers	358,067	5,000	363,067	372,891	(9,824)
Capital					
Principal - station 2	35,000	35,000	70,000	70,000	-
Interest - station 2	19,000	-	19,000	17,648	1,352
Principal - tower 5	56,667	-	56,667	56,667	-
Interest - tower 5	18,000	-	18,000	13,444	4,556
Principal - engine 4	30,000	-	30,000	28,899	1,101
Interest - engine 4	14,500	-	14,500	13,452	1,048
Equipment fund	45,000	-	45,000	45,000	-
Truck fund	35,000	-	35,000	35,000	-
Buildings and grounds fund	25,000	-	25,000	25,000	-
Wireless radio alarm boxes	-	76,000	76,000	42,550	33,450
Repeater site installation	-	18,000	18,000	24,211	(6,211)
Bay doors repair and replacement	-	35,000	35,000	29,033	5,967
Pond boat purchase	-	25,000	25,000	28,936	(3,936)
Phone system	-	10,000	10,000	-	10,000
Capital item contingency	-	50,000	50,000	-	50,000
Total capital	278,167	249,000	527,167	429,840	97,327
Total expenditures	943,234	254,000	1,197,234	1,107,609	89,625
Excess (deficiency) of revenues over expenditures	(36,234)	(254,000)	(290,234)	(155,654)	134,580
OTHER FINANCING SOURCES					
Proceeds from sale of capital asset	-	-	-	1,050	1,050
Total other financing sources	-	-	-	1,050	1,050
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ (36,234)</u>	<u>\$ (254,000)</u>	<u>\$ (290,234)</u>	<u>\$ (154,604)</u>	<u>\$ 135,630</u>

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