

**DORSET FIRE DISTRICT NO. 1
DORSET, VERMONT**

**FINANCIAL STATEMENTS
JUNE 30, 2017
AND
INDEPENDENT AUDITOR'S REPORTS**

DORSET FIRE DISTRICT NO. 1

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

The Prudential Committee
Dorset Fire District No. 1

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Dorset Fire District No. 1 (the District) as of and for the year ended June 30, 2017, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dorset Fire District No. 1 as of June 30, 2017, and the changes in its financial position and its cash flows 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 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 August 23, 2017 on our consideration of the District's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on 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.

Montpelier, Vermont
August 23, 2017

*Modgett, Jennett &
Adwign-Wisner, P.C.*

DORSET FIRE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

The Dorset Fire District No. 1 (the District) is incorporated in accordance with Title 20, Chapter 171, and Title 24, Chapters 89 and 129, of the *Vermont Statutes Annotated*, to manage assets of the Fire Department and Water Division, provide efficient fire protection and insure a pure and adequate water supply, located within the Town of Dorset, Vermont. The District herein sets forth an overview and analysis of its financial operation for the fiscal year ended June 30, 2017, to be reviewed and considered in conjunction with the more detailed statements and notes presented in the ensuing pages of this report.

Financial Highlights:

The financial statements for the District consist of four individual financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; the Statement of Revenues and Expenses - Budget and Actual and the Statement of Cash Flows.

The Statement of Net Position contains information regarding the assets and liabilities of the District, which are classified as either current, if their disposition is expected to occur within one year, or as long-term. The difference between total assets and total liabilities is net position. Total assets of the District were \$1,161,453 and total liabilities were \$21,779, resulting in a net position of \$1,139,674 at year end, compared to total assets of \$1,156,969, total liabilities of \$57,585, and net position of \$1,099,384 at June 30, 2016. This net position consists of \$1,025,472 in the Fire Department Fund and \$114,202 in the Water Division Fund at year end, compared to \$948,247 in the Fire Department Fund and \$151,137 in the Water Division Fund at June 30, 2016. Net position in the Fire Department Fund increased \$77,225, or 8.1%. Net position in the Water Division Fund decreased \$36,935, or 24.4%.

The Statement of Revenues, Expenses and Changes in Net Position shows total operating revenues of \$275,441 and total operating expenses of \$258,325, resulting in an operating income of \$17,116 for the current year, compared to total operating revenue of \$286,115 and total operating expenses of \$269,672, resulting in an operating income of \$16,443 for the year ended June 30, 2016. This operating income is comprised of an operating income of \$77,902 in the Fire Department Fund and an operating loss of \$60,786 in the Water Division Fund for the current year, compared to an operating income of \$22,918 in the Fire Department Fund and an operating loss of \$6,475 in the Water Division Fund for the year ended June 30, 2016. Nonoperating items include interest income and expense, and grant revenue, resulting in a total change in net position of \$40,290 for the current year, compared to \$15,055 for the year ended June 30, 2016.

The Statement of Revenues and Expenses - Budget and Actual identifies variances in actual activity versus amounts budgeted and approved by the voters of the District. Management has reviewed these variances and finds them to be acceptable. Significant variances in both the Fire Department Fund and Water Division Fund are related to depreciation, which was not budgeted and debt service, where the capital lease principal is not recognized as an expense. Additional variances in the Fire Department Fund consist of equipment, as capital asset additions are reflected as an asset on the balance sheet, and not recorded as an expense, and the transfer to the sinking fund, which was budgeted as an expense, but is a transfer from one cash account to another. Additional variances in the Water Division Fund consist of professional fees, which is partially offset by grant revenues of \$20,000, and facility operation and maintenance, which was significantly over budget due to several unexpected repairs during the year.

The purpose of the Statement of Cash Flows is to identify cash either provided by or used by the activities of the District. The presentation conforms to the requirements of accounting principles generally accepted in the United States of America (U.S. GAAP) and accordingly categorizes cash flows involved with operating,

financing and investing activities. This presentation provides an analysis of how the amount of cash held by the District as indicated on the Statement of Net Position changed from the beginning of the year to the end of the year.

The Statement of Cash Flows for the fiscal year ended June 30, 2017 indicates that operating activities resulted in a net increase in cash of \$95,154, which is primarily attributable to operating revenues in excess of expenses. For the fiscal year ended June 30, 2016 operating activities resulted in a net increase in cash of \$50,415, which was primarily attributable to operating revenues in excess of expenses.

Cash flows from activities classified as investing activities yielded a total positive cash flow of \$4,222 for the current year, compared to \$678 for the year ended June 30, 2016. Investing activities was comprised of interest income in both years.

Cash flows from capital and related financing activities yielded a total negative cash flow of \$50,832 for the current year, compared to \$35,746 for the year ended June 30, 2016. Capital and financing activities consisted of the capital lease obligation payment in both years, as well as additions to capital assets in the current year.

The District's capital assets consist of land, buildings, equipment and vehicles. The District acquired \$15,086 in capital assets in the current year. There was no change in capital assets during the year ended June 30, 2016. The District recognized \$60,024 in depreciation expense for the current year, compared to \$59,271 for the year ended June 30, 2016.

The District did not obtain any short-term or long-term debt during the current year, or the year ended June 30, 2016. The District had a capital lease obligation with a balance at June 30, 2016 of \$34,698, which was repaid during the current year, resulting in a balance at year end of zero.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Manager, Town of Dorset, P.O. Box 715, Dorset, Vermont 05253-0715.

DORSET FIRE DISTRICT NO. 1
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2017

	Fire Department <u>Fund</u>	Water Division <u>Fund</u>	Totals Proprietary <u>Funds</u>
ASSETS:			
Current assets -			
Cash and cash equivalents	\$ 340,270	\$ 20,135	\$ 360,405
Accounts receivable	27,279	10,605	37,884
Grant receivable	-	20,000	20,000
Due from other funds	<u>18,379</u>	<u>-</u>	<u>18,379</u>
Total current assets	<u>385,928</u>	<u>50,740</u>	<u>436,668</u>
Noncurrent assets -			
Capital assets	1,680,027	106,551	1,786,578
less - accumulated depreciation	<u>(1,040,483)</u>	<u>(21,310)</u>	<u>(1,061,793)</u>
Total noncurrent assets	<u>639,544</u>	<u>85,241</u>	<u>724,785</u>
 Total assets	 <u>1,025,472</u>	 <u>135,981</u>	 <u>1,161,453</u>
LIABILITIES:			
Current liabilities -			
Accounts payable	-	3,400	3,400
Due to other funds	<u>-</u>	<u>18,379</u>	<u>18,379</u>
 Total liabilities	 <u>-</u>	 <u>21,779</u>	 <u>21,779</u>
NET POSITION:			
Net investment in capital assets	639,544	85,241	724,785
Unrestricted	<u>385,928</u>	<u>28,961</u>	<u>414,889</u>
 Total net position	 <u>\$ 1,025,472</u>	 <u>\$ 114,202</u>	 <u>\$ 1,139,674</u>

The notes to financial statements are an integral part of this statement.

DORSET FIRE DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Fire Department <u>Fund</u>	Water Division <u>Fund</u>	Totals Proprietary <u>Funds</u>
OPERATING REVENUES:			
Charges for services	\$ 223,665	\$ 50,426	\$ 274,091
Miscellaneous	<u>1,350</u>	<u>-</u>	<u>1,350</u>
Total operating revenues	<u>225,015</u>	<u>50,426</u>	<u>275,441</u>
OPERATING EXPENSES:			
Depreciation	56,473	3,551	60,024
Operations	<u>90,640</u>	<u>107,661</u>	<u>198,301</u>
Total operating expenses	<u>147,113</u>	<u>111,212</u>	<u>258,325</u>
Operating income (loss)	<u>77,902</u>	<u>(60,786)</u>	<u>17,116</u>
NONOPERATING REVENUES			
(EXPENSES):			
Grant revenue	-	20,000	20,000
Interest income	371	3,851	4,222
Interest expense	<u>(1,048)</u>	<u>-</u>	<u>(1,048)</u>
Total nonoperating revenues (expenses)	<u>(677)</u>	<u>23,851</u>	<u>23,174</u>
CHANGE IN NET POSITION	77,225	(36,935)	40,290
NET POSITION, July 1, 2016	<u>948,247</u>	<u>151,137</u>	<u>1,099,384</u>
NET POSITION, June 30, 2017	\$ <u>1,025,472</u>	\$ <u>114,202</u>	\$ <u>1,139,674</u>

The notes to financial statements are an integral part of this statement.

DORSET FIRE DISTRICT NO. 1
STATEMENT OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u>Basis)</u>	Variance Over (Under) <u>(Under)</u>
FIRE DEPARTMENT			
REVENUES:			
Charges for services	\$ 223,725	\$ 223,665	\$ (60)
Interest income	-	371	371
Other income	-	1,350	1,350
Total revenues	<u>223,725</u>	<u>225,386</u>	<u>1,661</u>
EXPENSES:			
Employee wages and benefits	15,000	9,630	(5,370)
Personnel education and training	12,550	4,650	(7,900)
Office administration	2,000	8,611	6,611
Insurance	15,000	14,814	(186)
Professional fees	20,000	7,125	(12,875)
Facility operation and maintenance	26,675	14,257	(12,418)
Equipment operation and maintenance	29,500	14,173	(15,327)
Equipment	42,000	13,296	(28,704)
Transfer to sinking fund	25,000	-	(25,000)
Miscellaneous	-	4,084	4,084
Depreciation	-	56,473	56,473
Debt service	36,000	1,048	(34,952)
Total expenses	<u>223,725</u>	<u>148,161</u>	<u>(75,564)</u>
NET INCOME (LOSS)	<u>\$ -</u>	<u>\$ 77,225</u>	<u>\$ 77,225</u>
WATER DIVISION			
REVENUES:			
Charges for services	\$ 51,150	\$ 50,426	\$ (724)
Grant revenue	-	20,000	20,000
Interest income	75	3,851	3,776
Total revenues	<u>51,225</u>	<u>74,277</u>	<u>23,052</u>
EXPENSES:			
System operator	9,600	13,164	3,564
Office administration	6,210	8,966	2,756
Insurance	4,500	4,581	81
Professional fees	9,645	49,280	39,635
Facility operation and maintenance	16,270	30,957	14,687
Miscellaneous	5,000	713	(4,287)
Depreciation	-	3,551	3,551
Total expenses	<u>51,225</u>	<u>111,212</u>	<u>59,987</u>
NET INCOME (LOSS)	<u>\$ -</u>	<u>\$ (36,935)</u>	<u>\$ (36,935)</u>

The notes to financial statements are an integral part of this statement.

DORSET FIRE DISTRICT NO. 1
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

(Page 1 of 2)

	<u>Fire Department Fund</u>	<u>Water Division Fund</u>	<u>Totals Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 242,014	\$ 57,184	\$ 299,198
Cash payments for goods and services	<u>(99,026)</u>	<u>(105,018)</u>	<u>(204,044)</u>
Net cash provided (used) by operating activities	<u>142,988</u>	<u>(47,834)</u>	<u>95,154</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal paid on capital lease	(34,698)	-	(34,698)
Interest paid on capital lease	(1,048)	-	(1,048)
Additions to capital assets	<u>(15,086)</u>	<u>-</u>	<u>(15,086)</u>
Net cash provided (used) by capital and related financing activities	<u>(50,832)</u>	<u>-</u>	<u>(50,832)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Increase (decrease) in amounts due to/from other funds	(4,635)	4,635	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest	<u>371</u>	<u>3,851</u>	<u>4,222</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	87,892	(39,348)	48,544
CASH AND CASH EQUIVALENTS, July 1, 2016	<u>252,378</u>	<u>59,483</u>	<u>311,861</u>
CASH AND CASH EQUIVALENTS, June 30, 2017	\$ <u>340,270</u>	\$ <u>20,135</u>	\$ <u>360,405</u>

The notes to financial statements are an integral part of this statement.

DORSET FIRE DISTRICT NO. 1
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

(Page 2 of 2)

	Fire Department <u>Fund</u>	Water Division <u>Fund</u>	Totals Proprietary <u>Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 77,902	\$ (60,786)	\$ 17,116
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -			
Depreciation	56,473	3,551	60,024
Change in the following assets/liabilities:			
Accounts receivable	16,999	6,758	23,757
Accounts payable	<u>(8,386)</u>	<u>2,643</u>	<u>(5,743)</u>
Net cash provided (used) by operating activities	\$ <u>142,988</u>	\$ <u>(47,834)</u>	\$ <u>95,154</u>

The notes to financial statements are an integral part of this statement.

DORSET FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of significant accounting policies:

The Dorset Fire District No. 1 (the District) is incorporated in accordance with Title 20, Chapter 171, and Title 24, Chapters 89 and 129, of the *Vermont Statutes Annotated*, to manage assets of the Fire Department and Water Division, provide efficient fire protection and insure a pure and adequate water supply, located within the Town of Dorset, Vermont (the Town).

- A. Reporting entity - The District is a primary unit of government under reporting criteria established by the Governmental Accounting Standards Board (GASB). Those criteria include a separately elected governing body, separate legal standing, and fiscal independence from other state and local governmental entities. Based on these criteria, there are no other entities which are component units of the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing *Governmental Accounting and Financial Reporting Standards* which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

- B. Basis of presentation - The District operates as a special purpose entity with only business-type activities and therefore presents the financial statements required for enterprise funds which governmental accounting principles define as suitable for operations that are financed and operated in a manner similar to private business enterprises. The accounts of the District are maintained in accordance with the principles of fund accounting. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. Enterprise funds are intended to be financed primarily through proceeds from their operations. The District's enterprise funds are classified as proprietary funds.

The District reports the following major proprietary funds:

Fire Department Fund - The Fire Department Fund is used to account for the District's fire protection operations.

Water Division Fund - The Water Division Fund is used to account for the District's water supply operations.

- C. Measurement focus and basis of accounting - The District uses the economic resources measurement focus and accrual basis of accounting, whereby revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Water fees are recorded as revenue in the year for which they are billed. Miscellaneous revenues are recorded as revenues when received because they are generally not measurable prior to collection. Investment earnings are recorded as earned.

DORSET FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of significant accounting policies (continued):

- D. Budgets and budgetary accounting - The District approves a budget for the Fire Department and Water Division Funds at an annual District Meeting. The rates are determined by the District Manager and Prudential Committee based on the approved operating budgets. The accounting method used for budget presentation is the same method used for the financial presentation of operations under U.S. GAAP. Formal budgetary integration is employed as a management control during the year. All budgeted amounts lapse at year end.
- E. Fire taxes - At a special meeting in August 2016, voters approved implementing a uniform tax rate, to support the voter approved budgets of the District and the East Dorset Fire Department No. 1 (EFD#1), to equalize the cost of fire protection. In accordance with a Fire Protection Agreement entered into by the District with the Town and EFD#1, fire taxes are levied and collected by the Town, and an annual appropriation is remitted to the District. The appropriation paid to the District, for the fiscal year ended June 30, 2017, was \$223,665.
- F. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- G. Risk management - The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; environmental liability; and natural disasters. The District maintains coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.
- H. Cash and cash equivalents - The District considers all cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.
- I. Capital assets - Capital assets include land, buildings vehicles and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The District does not retroactively report infrastructure assets. Donated capital assets are recorded at fair value at the date of acquisition. Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest costs are capitalized on projects during the construction period. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Capital assets are depreciated using the straight-line method over the useful lives shown below:
- | | |
|-----------|-------------|
| Buildings | 30 years |
| Vehicles | 20-25 years |
| Equipment | 20 years |
- J. Long-term obligations - The District's proprietary funds report long-term debt and other long-term obligations as liabilities in the Statement of Net Position.

DORSET FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. Deposits:

Custodial credit risk - deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk; however, the District addresses this risk by requiring adequate insurance or collateralization over the FDIC insured amount. As of June 30, 2017, the District's depository accounts were fully insured or collateralized.

3. Receivables:

Accounts receivable in the Fire Department Fund at year end are \$27,279. This amount consists of remaining fire tax delinquencies prior to the implementation of the uniform fire tax rate billed and collected by the Town.

Accounts receivable in the Water Division Fund at year end are \$10,605. This amount consists of \$4,663 in customer accounts, and \$5,942 in reimbursable repairs due from customers. No amounts are reserved for uncollectible accounts receivable.

4. Capital assets:

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance <u>July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2017</u>
Capital assets, not depreciated:				
Land	\$ 104,000	\$ -	\$ -	\$ 104,000
Capital assets, depreciated:				
Buildings	415,151	-	-	415,151
Vehicles	1,228,701	-	-	1,228,701
Equipment	23,640	15,086	-	38,726
Total capital assets, depreciated	<u>1,667,492</u>	<u>15,086</u>	<u>-</u>	<u>1,682,578</u>
Less accumulated depreciation for:				
Buildings	326,359	3,551	-	329,910
Vehicles	671,864	54,537	-	726,401
Equipment	3,546	1,936	-	5,482
Total accumulated depreciation	<u>1,001,769</u>	<u>60,024</u>	<u>-</u>	<u>1,061,793</u>
Total capital assets, depreciated, net	<u>665,723</u>	<u>(44,938)</u>	<u>-</u>	<u>620,785</u>
Capital assets, net	\$ <u>769,723</u>	\$ <u>(44,938)</u>	\$ <u>-</u>	\$ <u>724,785</u>

Depreciation expense of \$60,024 in the proprietary funds was allocated to expenses of the Fire Department (\$56,473) and the Water Division (\$3,551) funds based on capital assets reported in those funds.

DORSET FIRE DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

5. Interfund receivable and payable balances:

As of June 30, 2017, the amount due to the Fire Department Fund from the Water Division Fund was \$18,379.

6. Related parties:

The District has entered into a Financial and Administrative Services Agreement with the Town to perform its financial administration and provide administrative support. Duties under this contract include bookkeeping, annual budget preparation, reporting, warrant preparation, and meeting attendance. The District paid the Town \$8,785 during FY17 for services received under this contract.

**INDEPENDENT AUDITOR'S 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***

The Prudential Committee
Dorset Fire District No. 1

We have audited, in accordance with the 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 Dorset Fire District No. 1 (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 23, 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 opinion 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 a 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 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 entity'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 entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Montpelier, Vermont
August 23, 2017

Mudgitt, Jennett &
Adrogh-Wisner, P.C.