

**McKenzie County
Rural Fire
Protection District**

**Financial Statements
and
Independent Auditor's Report
June 30, 2017**

McKenzie County Rural Fire Protection District

TABLE OF CONTENTS

Independent Auditor's Report.....1 - 2

Financial Statements

Management's Discussion and Analysis.....3 - 4

Statement of Financial Position.....6 - 7

Statement of Activities.....8 - 9

Statement of Cash Flows.....10

Notes to the Financial Statements.....11 - 14

Required Supplementary Information

Statement of Revenue, Expenditures, and Changes in Fund
Balances – Budget to Actual - All Governmental Funds....16 - 17

Notes to the Required Supplemental Information.....18



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
McKenzie County Rural Fire Protection District

We have audited the accompanying financial statements of the governmental activities and the major fund of McKenzie County Rural Fire Protection District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department'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 *Governmental 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 evaluation 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 respective financial position of the governmental activities and the major fund of the McKenzie County Rural Fire Protection District as of June 30, 2017, and the respective changes in financial position 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 on pages 3 through 4 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 Governmental Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 15, 2017 on our consideration of the McKenzie County Rural Fire Protection 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering McKenzie County Rural Fire Protection District's internal control over financial reporting and compliance.



Johnson & Co
Watford City, ND
November 15, 2017

McKenzie County Rural Fire Protection District

Management's Discussion and Analysis

June 30, 2017

The discussion and analysis of the McKenzie County Fire Protection District (Department) financial performance provides an overall review of the Department's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Department's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 are as follows:

- The Department has no liabilities as of June 30, 2017.
- \$759,983.90 is invested in capital assets.

USING THIS ANNUAL FINANCIAL REPORT

This discussion and analysis is intended to serve as an introduction to the McKenzie County Fire Protection District's basic financial statements. The McKenzie County Fire Protection District's basic financial statements are comprised of three components: government-wide financial statements, fund-financial statements and notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS – REPORTING AS A WHOLE

Statement of Net Position and the Statement of Activities

The Statement of Net position presents information on all the McKenzie County Fire Protection District's assets and liabilities, with the difference between the two reported as net position. Over time, an increase or decrease in net position may serve as a useful indicator of whether the financial position of the McKenzie County Fire Protection District is improving or deteriorating. Both the Statement of Net Position and the Statement of Activities use the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS – REPORTING SIGNIFICANT FUNDS

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the District's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually; the District has one Major Fund.

McKenzie County Rural Fire Protection District

Management's Discussion and Analysis

June 30, 2017

Major Funds present the major activities of the District for the year, and may change from year to year as a result of changes in the pattern of the District's activities.

In the District's case, the Equipment Fund is the only Governmental Fund, in addition to the General Fund, and is considered Non-major.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

The District Comparisons of Budget and Actual financial information are presented for the General Fund.

Governmental Funds

The District's basic services are considered to be governmental activities. These services are supported by general District revenues such as taxes, and by specific program revenues such as user fees and charges.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. These funds are reported using an accounting method called 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 Department's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the statement of Net Position and the Statement of Activities) and governmental funds.

Financial Contact

This Annual Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of McKenzie County Rural Fire Protection District's finances. Questions about this Report should be directed to the Fire Chief or the Administrative Services Director.

THIS PAGE INTENTIONALLY LEFT BLANK

McKenzie County Rural Fire Protection District
Statement of Activities and Governmental Fund Statement of
Revenues, Expenditures and Changes in Fund Balance
June 30, 2017

	<u>Equipment Fund</u>
Ordinary Income/Expense	
Income	
RESTRICTED SUPPORT AND OTHER	
Dividends	\$ 54.92
Total RESTRICTED SUPPORT AND OTHER	54.92
UNRESTRICTED SUPPORT AND OTHER	
Corporate Contributions	-
Credit Union Dividend Credits	-
McKenzie County Other	-
McKenzie County Tax Allocation	-
Fire Suppression Services	-
State Aid Distribution	-
State Insurance Financial Assis	-
Total UNRESTRICTED SUPPORT AND OTHER	-
Total Income	54.92
Expenditures	
Board Pay	-
Accounting Fees	-
Outside Contract Services	-
Facilities and Equipment	
Donated Equipment	-
Equip Repairs and Maintenance	-
New Equipment	-
Repairs	-
Operations	
Fuel	-
Insurance	-
License and Registration	-
Supplies	-
Telephone, Telecommunications	-
Training	-
Utilities	-
Meeting Expense	-
Other Costs	-
Total Expenditures	-
Other Financing Sources	
Transfers In	-
Transfers Out	-
Total other financing sources (uses)	-
Excess (deficiency) of revenues and other sources over (under)	54.92
Change in Net Position	54.92
Fund Balance at beginning of period	59,526.83
Fund Balance at end of period	<u>\$ 59,581.75</u>

<u>General Fund</u>	<u>TOTAL</u>
\$ -	\$ 54.92
-	54.92
7,500.00	7,500.00
541.94	541.94
107,215.60	107,215.60
356,595.90	356,595.90
28,839.81	28,839.81
97,740.24	97,740.24
28,883.16	28,883.16
627,316.65	627,316.65
627,316.65	627,371.57
360.00	360.00
6,000.00	6,000.00
21,950.00	21,950.00
20,000.00	20,000.00
11,022.91	11,022.91
2,206.13	2,206.13
1,974.05	1,974.05
9,335.65	9,335.65
14,046.22	14,046.22
188.66	188.66
6,482.61	6,482.61
328.47	328.47
282.27	282.27
1,445.00	1,445.00
267.66	267.66
4,763.13	4,763.13
100,652.76	100,652.76
-	-
-	-
-	-
526,663.89	526,718.81
526,663.89	526,718.81
1,522,433.72	1,581,960.55
\$ 2,049,097.61	\$ 2,108,679.36

McKenzie County Rural Fire Protection District
Statement of Net Position and
Governmental Funds Balance Sheet
June 30, 2017

	<u>General Fund</u>	<u>Equipment Fund</u>
ASSETS		
Cash and Investments	\$ 1,223,832.74	\$ 124,862.72
Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>1,223,832.74</u>	<u>124,862.72</u>
FUND BALANCES & NET POSITION		
FUND BALANCES		
General Fund	1,223,832.74	-
Equipment Fund	<u>-</u>	<u>124,862.72</u>
Total Fund Equity	<u>1,223,832.74</u>	<u>124,862.72</u>
NET POSITION		
Invested in capital assets	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>\$ -</u>	<u>\$ -</u>

<u>Adjustments</u>	<u>Total 2017</u>
\$ -	\$ 1,348,695.46
<u>759,983.90</u>	<u>759,983.90</u>
<u>759,983.90</u>	<u>2,108,679.36</u>
	-
	-
	<u>1,223,832.74</u>
	<u>124,862.72</u>
	<u>1,348,695.46</u>
	-
<u>759,983.90</u>	<u>759,983.90</u>
<u>\$ 759,983.90</u>	<u>\$ 2,108,679.36</u>

McKenzie County Rural Fire Protection District
Statement of Cash Flows
June 30, 2017

	<u>July 2016 - June 2017</u>
INVESTING ACTIVITIES	
Equipment	\$ (17,040.00)
Net cash provided by Investing Activities	<u>(17,040.00)</u>
FINANCING ACTIVITIES	
General Fund	526,663.89
Equipment Fund	<u>54.92</u>
Net cash provided by Financing Activities	<u>526,718.81</u>
 Net cash increase for period	 509,678.81
 Cash at beginning of period	 <u>839,016.65</u>
 Cash at end of period	 <u><u>\$ 1,348,695.46</u></u>

McKenzie County Rural Fire Protection District

Notes to the Financial Statements

June 30, 2017

Introduction

The McKenzie County Rural Fire Protection District (the Department) is organized and operated under the provisions of North Dakota Code. Its mission is to operate exclusively as a volunteer fire fighting Department to provide fire protection and emergency response services in the Community of Watford City and surrounding rural areas. McKenzie County Rural Fire Protection District receives ad valorem taxes, state revenue sharing and revenue from donations which it uses to support itself and distributes to the individual fire departments in the surrounding area.

Summary of Significant Accounting Policies

A. Basis of Presentation – Government-wide financial statements

The government- wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the Department. Governmental-activities, which are supported by taxes, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. For the year ended June 30, 2017, the Department did not have any significant business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. For the year ended June 30, 2017, the Department received program revenue from fire protection services provided. Taxes and other items are reported as general revenues.

B. Basis of Presentation – Fund Financials Statements

The Department has two funds: the General fund and the Equipment fund. These funds account for all revenues and expenditures of the District. The fund financials statements provide information about the funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the fiscal year for which the taxes and assessments are levied and revenue from investments is recognized when earned.

McKenzie County Rural Fire Protection District

Notes to the Financial Statements

June 30, 2017

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

D. Cash and Cash Equivalents

The Department's cash and cash equivalents are considered to be cash on hand, demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Cash and cash equivalents book balances were as follows:

Bank balances at June 30, 2017 totaled \$1,348,695.46. Of the bank balances, \$250,000 is insured by the Federal Deposit Insurance Corporation (FDIC) and the remaining \$1,098,695.46 is uninsured and uncollateralized.

E. Investments

Investments, when held, are reported at fair value. Investment income classified as operating revenue consists of interest and dividend income on investments and gains approved for use in operations. All other realized and unrealized gains or losses are classified as nonoperating activity and are available to support operations in future years and to offset potential market declines. Investments classified as current are available for operations in the next fiscal year. Various methods and assumptions are used to estimate the fair value of each class of financial instruments, when held. Cash and cash equivalents are valued at their carrying amount due to their short maturities. Investments are reported at fair value based on quoted market prices. Debt is valued at rates currently available to the Departments for issuances with similar terms and remaining maturities.

F. Inventories and Prepaid Items

All inventories, when held, are valued at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

McKenzie County Rural Fire Protection District

Notes to the Financial Statements

June 30, 2017

G. Property and Equipment

Equipment purchased with funds appropriated and distributed to the McKenzie County Rural Fire Protection District remains the property of the Department and is recorded in the accompanying financial statements. Donated assets are capitalized at the estimated fair value at date of receipt. These assets are depreciated on a straight line basis.

Any gain or loss on sale of equipment and other property is reported as other revenues on the statement of activities. The Department maintains a threshold level of \$5000 or more for capitalization of property and equipment. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

H. Revenue Recognition

Public support consists primarily of contract payments received from the McKenzie County in the form of ad valorem taxes, state revenue sharing funds and donations. The ad valorem tax allocation is established in October of each year and disbursed by the County Auditor on a monthly basis. State revenue sharing and donations are disbursed to participating fire departments as the funds become available. As a result, ad valorem taxes and interest income is recognized as income in the period earned. State revenue sharing funds, donations and all other revenues are recognized as income when received.

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Department reports contributions in the temporarily or permanently restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the consolidated statement of activities. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period. Gains and losses on investments and other assets and liabilities are reported as increases and decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

McKenzie County Rural Fire Protection District

Notes to the Financial Statements

June 30, 2017

I. Contributed Services and Materials

However, since all of the Department's program services are provided by volunteers and there is no objective basis available to measure the value of such services, no amounts have been included in the financial statements for donated services.

Donated materials are recorded at their fair value at the date of the gift. The Department does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue.

J. Contingent Liabilities

At June 30, 2017, the Department was not involved in any outstanding litigation or claims.

K. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 15, 2017 and determined that no events occurred that required disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

McKenzie County Rural Fire Protection District

Statement of Revenues, Expenditures, and Changes in Fund

Balance Budget and Actual - General Fund

June 30, 2017

	<u>BUDGET</u>
Ordinary Income/Expense	
Income	
RESTRICTED SUPPORT AND OTHER	
Dividends	\$ 35.32
Total RESTRICTED SUPPORT AND OTHER	35.32
UNRESTRICTED SUPPORT AND OTHER	
Corporate Contributions	-
Credit Union Dividend Credits	455.73
McKenzie County Other	367,767.24
McKenzie County Tax Allocation	2,304.30
Fire Suppression Services	1,498.06
State Aid Distribution	6,028.43
State Insurance Financial Assis	25,000.00
Total UNRESTRICTED SUPPORT AND OTHER	403,053.76
Total Income	403,089.08
Expenditures	
Board Pay	360.00
Accounting Fees	6,000.00
Outside Contract Services	99,120.61
Facilities and Equipment	
Donated Equipment	-
Equip Repairs and Maintenance	14,350.15
New Equipment	21,110.79
Repairs	1,289.57
Operations	
Fuel	9,323.15
Insurance	15,659.42
License and Registration	198.42
Supplies	16,380.37
Telephone, Telecommunications	241.73
Training	972.31
Utilities	1,450.00
Meeting Expense	160.21
Other Costs	1,007.20
Total Expenditures	187,623.93
Other Financing Sources	
Transfers In	-
Transfers Out	-
Total other financing sources (uses)	-
Excess (deficiency) of revenues and other sources over (under)	215,465.15
Change in Net Position	215,465.15
Fund Balance at beginning of period	415,843.59
Fund Balance at end of period	\$ 631,308.74

<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET OVER (UNDER)</u>
\$ (54.92)	\$ (90.24)
54.92	19.60
6,500.00	6,500.00
541.94	86.21
107,215.60	(260,551.64)
(18,404.10)	(20,708.40)
(1,160.19)	(2,658.25)
(2,259.76)	(8,288.19)
3,883.16	(21,116.84)
96,316.65	(306,737.11)
96,371.57	(306,717.51)
-	(360.00)
-	(6,000.00)
3,450.00	(95,670.61)
-	-
20,000.00	20,000.00
11,022.91	(3,327.24)
2,206.13	(18,904.66)
1,974.05	684.48
-	-
9,335.65	12.50
14,046.22	(1,613.20)
188.66	(9.76)
6,482.61	(9,897.76)
328.47	86.74
282.27	(690.04)
1,445.00	(5.00)
267.66	107.45
4,763.13	3,755.93
75,792.76	(111,831.17)
-	-
-	-
-	-
20,578.81	(194,886.34)
20,578.81	(194,886.34)
1,021,409.51	605,565.92
\$ 1,041,988.32	\$ 410,679.58

McKenzie County Rural Fire Protection District

Notes to the Required Supplemental Information

June 30, 2017

BUDGET COMPLIANCE

The Department annually adopts an operating budget for the fiscal year beginning on July 1. The budget cannot be increased except by a public emergency that could not have been reasonably foreseen at the time of its adoption. Expenditures are limited to the amount of the budget appropriation for each line item; however, the budgeted amounts may be adjusted by means of transfers of amounts between line items by resolution of the Board.

All budget appropriations lapse at the end of the fiscal year.

BUDGET BASIS OF ACCOUNTING

The budget is prepared on the same basis of accounting used in preparing the Department's fund financial statements, except for noncash on-behalf payments which are not included in the Department's budget.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There was no excess of expenditures over appropriations during the fiscal year.
