

*Whitehorn Rural Fire District*

Independent Auditor's Report  
and Financial Statements

June 30, 2017

*Whitehorn Rural Fire District*

June 30, 2017

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*Independent Auditor's Report*

March 18, 2020

Board of Directors  
Whitehorn Rural Fire District

We have audited the accompanying Statement of Fund Net Position of *Whitehorn Rural Fire District* as of June 30, 2017, and the related statements of revenues, expenses and changes in fund net position and cash flows for the year then ended. The financial statements are the responsibility of *Whitehorn Rural Fire District's* management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1-C, *Whitehorn Rural Fire District* prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1, the modified cash basis financial position of the *Whitehorn Rural Fire District* as of June 30, 2017, or the changes in its modified cash basis financial position or its cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2020 on our consideration of the *Whitehorn Rural Fire District* internal control over financial reporting and our tests of 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information is presented for purposes of additional analysis, and are not a required part of the financial statements of *Whitehorn Rural Fire District*. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Hood and Associates, CPAs, P.C.*

Hood and Associates CPAs, PC  
Certified Public Accountants

***Hood and Associates CPAs, PC***  
*Certified Public Accountant*  
323 W. 1st St.  
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*Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*

March 18, 2020

Board of Directors  
Whitehorn Rural Fire District

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 business-type activities of Whitehorn Rural Fire District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Whitehorn Rural Fire District basic financial statements, and have issued my report thereon dated March 18, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Whitehorn Rural Fire District internal control over financial reporting in order to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but, not for the purpose of expressing an opinion on the effectiveness of the Whitehorn Rural Fire District internal control.

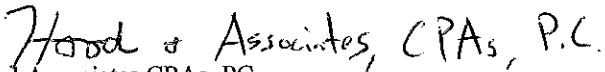
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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 the 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

As part of obtaining reasonable assurance about whether the Whitehorn Rural Fire District financial statements are free of material misstatement, We performed tests of the 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 that are required to be reported under *Government Auditing Standards*.

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 communication is not suitable for any other purpose.

  
Hood and Associates CPAs, PC  
Certified Public Accountants

*Whitehorn Rural Fire District*  
Statement of Net Position  
June 30, 2017

Assets

<i>Current Assets:</i>	
Cash and cash equivalents	\$ 216,134.05
Cash held with third parties	<u>37,190.74</u>
Total Current Assets	253,324.79
 <i>Capital Assets:</i>	
Property and Equipment	<u>842,907.91</u>
Total Assets	<u>\$ 1,096,232.70</u>

Liabilities and Fund Net Position

<i>Current Liabilities:</i>	
Current Portion of Lease Payable	\$ 10,952.75
 <i>Long Term Liabilities:</i>	
Lease Payable – net of current portion	<u>52,131.21</u>
Total Liabilities	<u>63,083.96</u>
 <i>Fund Net Position</i>	
Invest in capital assets, net of related debt	779,823.95
Unrestricted	<u>253,324.79</u>
Total Fund Net Position	<u>1,033,148.74</u>
Total Liabilities and Fund Net Position	<u>\$ 1,096,232.70</u>

*The accompanying notes are an integral part of the financial statements.*

**Whitehorn Rural Fire District**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2017

Changes in Net Position:	
<i>Operating Revenues:</i>	
AdValorem Taxes	\$ 98,038.71
Sales Tax	102,389.20
Other Income	<u>3,817.42</u>
Total Operating Revenues	<u>204,245.33</u>
 <i>Operating Expenses:</i>	
Contracted services	41,992.00
Depreciation	81,390.57
Dues	4,355.00
Insurance & bond	3,345.49
Miscellaneous	6,366.54
Office expense	2,245.62
Professional fees	5,040.00
Rent	140.00
Repairs	2,477.88
Supplies	14,563.00
Telephone	4,640.61
Utilities	7,430.46
Truck & equipment expense	<u>4,765.95</u>
Total Operating Expenditures	<u>178,753.12</u>
 Operating Net Income (Loss)	 <u>25,492.21</u>
 <i>Non-Operating Revenues (Expenses)</i>	
Interest Expenses	(3,125.26)
Gain on Sale of Assets	1,844.50
Interest Income	<u>35.40</u>
 Total Non Operating Revenues (Expenses)	 <u>(1,245.36)</u>
 Change in Net Position	 24,246.85
 Fund Net Position - beginning of the year	 <u>1,008,901.89</u>
 Fund Net Position - end of the year	 <u>\$ 1,033,148.74</u>

*The accompanying notes are an integral part of the financial statement.*

**Whitehorn Rural Fire District**  
Statement of Cash Flows  
For the Year Ended June 30, 2017

*Cash Flows from Operating Activities*

Cash inflows:		
Payments received from taxes		\$ 200,427.91
Payments received from grants		<u>3,817.42</u>
Total cash received		204,245.33
Cash outflows:		
Payments to supplies for goods and services		<u>(97,362.55)</u>
Net Cash Provided (Used) by Operating Activities		<u>106,882.78</u>

*Cash Flows from Non-Capital Financing Activities* 0.00

*Cash Flows from Capital and Related Financing Activities* 0.00

*Cash Flows from Investing Activities*

Purchase of fixed assets		(39,060.03)
Interest paid on Long Term Lease Payable		(3125.26)
Increase in Long Term Lease Payable		(92,019.25)
Sale of fixed assets		1,844.50
Interest income received		<u>35.40</u>
Net Cash Provided (Used) by Investing Activities		<u>(132,324.91)</u>

Increase (Decrease) in Cash (25,442.13)

Cash, Beginning of Year 278,766.61

Cash, End of Year \$ 253,324.48

Adjustments to reconcile change in cash to  
net cash provided by operating activities:

Operating Net Income (Loss)		\$ 25,492.21
Depreciation		<u>81,390.57</u>
Net cash provided (used) by operating activities		<u>\$ 106,882.78</u>

*The accompanying notes are an integral part of the financial statement.*

*Whitehorn Rural Fire District*  
Notes to Financial Statements  
For the Year Ended June 30, 2017

**I. Summary of Significant Accounting Policies**

*Whitehorn Rural Fire District*, was organized for the purpose of providing fire protection services for the owners and occupants of land located within the District.

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

**A. Financial Reporting Entity**

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

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

**B. Basis of Presentation**

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

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

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

The District utilizes the modified accrual basis of accounting. The revenues are recognized when susceptible to accrual and expenditures are generally recognized when the related fund liability is incurred, if measurable.

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



*Whitehorn Rural Fire District*  
Notes to Financial Statements  
For the Year Ended June 30, 2017

**I. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Net Position**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

**Fair Value of Financial Instruments**

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

**Capital Assets**

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

**Revenues**

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

**Equity Classifications**

Equity is classified as net position and displayed in three components:

- a. *Invested in capital assets, net of related debt* --- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. *Restricted net position* --- Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* --- All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Concentrations of Credit and Market Risk**

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

**Whitehorn Rural Fire District**  
Notes to Financial Statements  
For the Year Ended June 30, 2017

**I. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Net Position (continued)**

**Changes in Property and Equipment**

The changes in property and equipment for the year ended June 30, 2017 were as follows:

	Balance at <u>7/1/16</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>6/30/17</u>
Buildings	\$ 923,252	\$	\$	\$ 923,252
Firefighters equipment	<u>819,962</u>	<u>39,060</u>	<u></u>	<u>859,022</u>
	1,743,214	<u>\$ 39,060</u>	<u>\$ 0</u>	1,782,274
Accumulated Deprec.	<u>857,975</u>	<u>\$ 81,391</u>	<u>\$ 0</u>	<u>939,366</u>
Net Property, Plant & Equipment	<u>\$ 885,239</u>			<u>\$ 842,908</u>

**Use of Estimates**

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

**II. Detailed Notes Concerning the Funds**

**A. Deposits and Investments**

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

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The District does not have a deposit policy for custodial credit risk. As of June 30, 2017, none of the District's investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

**B. Long Term Lease**

On January 13, 2015, the District entered into a Lease Purchase Agreement for a tanker truck for a lease purchase amount of \$108,500. The payments required on the lease are \$1,075.48 per month beginning February 17, 2015

The leases matures as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 10,953	\$ 2,027	\$ 12,980
2019	11,341	1,639	12,980
2020	11,743	1,237	12,980
2021	12,160	820	12,980
2022	12,591	389	12,980
Thereafter	<u>4,296</u>	<u>31</u>	<u>4,327</u>
Totals	<u>\$ 63,084</u>	<u>\$ 6,143</u>	<u>\$ 69,227</u>

*Whitehorn Rural Fire District*  
Schedule of Audit Findings  
For the Year Ended June 30, 2017

**A. Audit Findings – Prior Year**

NONE

**B. Audit Findings – Current Year**

**Compliance**

NONE

**Internal Control Over Financial Reporting**

NONE

**C. Questioned Costs** - NONE