



## **Fiscal Year 2014-15 Audit Package**

**Valley Falls Fire District / Cumberland Fire District**

**Cumberland Hill Fire District / North Cumberland Fire District**

**Audits completed by:**

**PP&A**

*Peak Performance in Accounting*

Parmelee Poirier & Associates, LLP

Certified Public Accountants

Presented by the Cumberland Finance Department – Thomas Bruce, Director

Presented to the Cumberland Fire Committee – Bruce Lemois, Chairman

**December 8, 2015**

**April 6, 2016**

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# Cumberland Fire District

Established  
November 10, 2014

Headquarters @ Station Four  
3502 Mendon Road Cumberland, RI 02864 401.658.0544  
[www.cumberlandfire.org](http://www.cumberlandfire.org)

December 12, 2015

Bruce A. Lemois  
Chairman

Phillip Koutsogiane  
Vice-Chair

Christopher Parent  
Commissioner

Cynthia Ouellette  
Commissioner

Ronald Champagne  
Finance Chair

Jim Scullin  
Commissioner

Frank Matta  
Personnel Chair

Kenneth Finlay  
Chief of the Department

Station One  
555 High Street  
401.722.5992

Station Two  
1530 Mendon Road  
401.333.1421

Station Five  
50 Arnold Mills Road  
401.333.2244

Kelley Morris  
General Counsel

Thomas Bruce  
Finance Director

Debra Auclair  
Committee Clerk

Thank you for taking the time to review the first C.F.D. annual audit. These audits were completed on the four separate districts that were merged to form the C.F.D.

As the four districts were never audited all the years in service a complete audit was needed. It was imperative to establish a clear and strong financial record with which the merged C.F.D. could start out its first fiscal year.

Within this official audit record are the following documents:

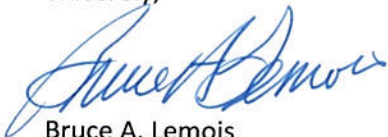
1. FORM FD-6 from the Office of the Auditor General for the state of Rhode Island. This, signed by AG Dennis Hoyle, gives C.F.D. the approval to engage Parmelee, Poirior & Associates, LLP (PP&A) to perform the audit for fiscal year 2014-15.
2. Resolution 2015-43 from the C.F.D. approving the three year contract with PP&A. This resolution was passed unanimously by the C.F.D. Board of Commissioners. Having a united Committee at this integral point of our history shows a strong commitment to the success of the merger.
3. Each district's audit and supporting documents.

Please allow me to personally thank our administrative staff of Thomas Bruce, Diane Karolyshyn, Beth Markey, Keri Smith and Joan Lariviere. Along with Chief Finlay their countless extra hours insured the success of these audits.

Please feel free to down load this for review. We are willing to set up appointments to review this with any taxpayer. Our absolute goal of transparency continues with this commitment.

Our savings, from the initial vote to merge in November 2012, has reached \$947,250, achieved with a reduction in personnel and a reduced tax levy. This allows C.F.D. to start out on an extremely solid financial base. Our commitment is to continue to grow the savings for the taxpayers of Cumberland.

Sincerely,



Bruce A. Lemois  
Chairman

## Mission Statement

The mission of the Cumberland Fire District is to provide exceptional public safety services in a safe, compassionate, cost effective and professional manner.

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Any question may be directed to Mr. Thomas Bruce, Finance Director for the C.F.D.. Either by phone 401.658.0544 or email [TBruce@CumberlandFire.org](mailto:TBruce@CumberlandFire.org)

## REQUEST FOR APPROVAL OF FIRE DISTRICT AUDITOR SELECTION

1. Tier I requesting fire district: Cumberland Fire District
2. Period of audit: FY14-15 plus two addl. years
3. Name of bidders and their bid (attach a separate sheet if necessary):

CPA Firm	Year 1	Year 2	Year 3	Total Bid
Nadeau Wadovick, LLP	\$ 42,440	\$ 18,500	\$ 18,500	\$79,440
	\$	\$	\$	\$
Parmelee, Poirior & Asso., LLP	\$ 55,000	\$ 15,000	\$ 15,000	\$85,000
	\$	\$	\$	\$
	\$	\$	\$	\$

4. Name of CPA firm selected by the fire district for which approval is requested: Parmelee Poirior & Asso., LLP
5. Attach a copy of the complete response package from the professional CPA firm for which approval is requested and copies of completed FORM FD-7 and each FORM FD-7.1 (i.e., evaluation grid and composite ranking). (If requested by the Auditor General, the fire district shall provide copies of all other audit firm responses to the request for proposal.)

Requested by:

*Thomas M. Bruce, III*  
 Signature

Finance Director

07/10/15

Title

Date

For Auditor General Use Only  
 Action on Request

Approved



Disapproved



Comments:

*Wendy E. Hyle*  
 Auditor General

*7-10-2015*  
 Date

The Auditor General assumes compliance by the Fire District with applicable State and local laws and procurement regulations during the audit procurement process.

By approving the fire district's selection of an audit firm, the Auditor General is not ensuring that the audit firm will (1) meet all contractual terms; including, the fire district's deadline for completion of the audit, or (2) comply with professional standards in the conduct of the audit.

Approval of a firm to conduct the audit does not limit the Auditor General's authority to review, make further inquiries, and/or reject the audit report.



FC-R-2015-43

CUMBERLAND FIRE DISTRICT

**Resolution: Selection of Auditing Firm**

Be it resolved by the Cumberland Fire District as follows:

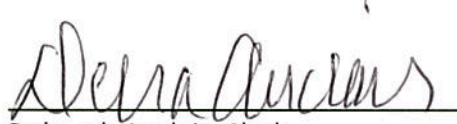
- Whereas,** The four former fire districts in Cumberland having had never gone through a complete audit
- Whereas,** It is a requirement of the Department of Revenue for the State of RI.
- Whereas,** The Finance Director invited multiple recommended and qualified accounting firms with DOR approved RFP.
- Whereas,** Two firms have responded and the Finance Director is recommending the firm of Parmelee, Poirier & Associates ,LLP
- Whereas,** This is a three year award with the cost for each year  
Year 1 \$ 55,000.00  
Year 2 \$ 15,000.00  
Year 3 \$ 15,000.00

**NOW, THEREFORE, BE IT RESOLVED BY THE CUMBERLAND FIRE DISTRICT AS FOLLOWS:**

- Section 1.** The total cost of the first year shall be charged equally to each of the four former fire districts in the 2014-15 budget year.
- Section 2.** Years two and three will be paid by the merged district.
- Sections 3.** This Resolution shall become effective upon passage.

Date adopted: July 14, 2015

  
Bruce Lemois, Chairman

  
Deborah Auclair, Clerk

Passed 6-0  
Parent Absent

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***VALLEY FALLS FIRE DISTRICT,  
STATION 1***

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***AUDITED FINANCIAL STATEMENTS***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015***

***Thomas Bruce  
Finance Department***

***Bruce Lemois  
Chairman***

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***PARMELEE POIRIER & ASSOCIATES, LLP***

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**VALLEY FALLS FIRE DEPARTMENT**  
**Annual Financial Report**  
**For the Year Ended June 30, 2015**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Fire Commissioners  
Valley Falls Fire District  
Cumberland, Rhode Island

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities of the Valley Falls Fire District (the Station) as of and for year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Station'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 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 of 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 financial statement presentation.

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 financial position of the governmental activities of the Valley Falls Fire District 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*

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the certain information contained on pages 26 through 29 be presented to supplement the basic financial statements. Although not a part of the 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 applied certain limited procedures to the required supplementary information in accordance with accounting 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 obtained during our audit of the basic financials 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Station's financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Valley Falls Fire District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2015 on our consideration of the Valley Falls Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 *Government Auditing Standards* in considering the Valley Falls Fire District's internal control over financial reporting and compliance.

*Parmelee Poirier & Associates LLP*

Parmelee, Poirier & Associates, LLP  
December 1, 2015

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**Statement of Net Assets**  
**June 30, 2015**

**ASSETS**

Cash and investments	\$ 21,354
Taxes receivable	78,716
Capital assets, net of accumulated depreciation, where applicable	<u>408,571</u>
<b>TOTAL ASSETS</b>	<u><u>508,641</u></u>

**LIABILITIES**

Accounts payable and accrued expenses	66,937
Long-term liabilities payable:	
Portion due within one year	23,542
Portion due after one year	<u>1,010,324</u>
<b>TOTAL LIABILITIES</b>	<u><u>1,100,803</u></u>

**NET ASSETS**

Invested in capital assets, net of related debt	408,571
Unrestricted	<u>(1,000,733)</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ (592,162)</u></u>

*See auditor's report and accompanying notes to these financial statements*

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Primary government</b>				
Public safety - fire protection and rescue:				
Personnel services	\$ 1,409,745	\$ -	\$ -	\$ (1,409,745)
Materials and services	437,645	-	80,950	(356,695)
Capital related items	5,882	-	-	(5,882)
<b>Total governmental activities</b>	<b>\$ 1,853,272</b>	<b>\$ -</b>	<b>\$ 80,950</b>	<b>(1,772,322)</b>
<b>General revenues:</b>				
		Property taxes		1,270,273
		Investment earnings		632
		Miscellaneous		29,277
		<b>Total general revenues</b>		<b>1,300,182</b>
		<b>Increase in net assets</b>		<b>(472,140)</b>
		<b>Net assets - beginning of the year</b>		<b>(120,022)</b>
		<b>Net assets - end of the year</b>		<b>\$ (592,162)</b>

*See auditor's report and accompanying notes to these financial statements*

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and investments	\$ 21,354	\$ -	\$ 21,354
Taxes receivable	78,716	-	78,716
Prepaid expenses	-	-	-
Internal balances	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 100,070</u>	<u>\$ -</u>	<u>\$ 100,070</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 66,937	\$ -	\$ 66,937
Deferred revenue - property tax	78,715	-	78,715
Internal balances	155,000	-	155,000
<b>TOTAL LIABILITIES</b>	<u>300,652</u>	<u>-</u>	<u>300,652</u>
<b>FUND BALANCES</b>			
Unassigned	(200,582)	-	(200,582)
<b>TOTAL FUND BALANCES</b>	<u>(200,582)</u>	<u>-</u>	<u>(200,582)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 100,070</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (see note 2)	408,571
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (see note 2)	78,715
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. (see note 2)	(1,033,866)
Internal balances are eliminated and not reported in the funds. (see note 2)	155,000
<b>Net assets of governmental activities</b>	<u>\$ (592,162)</u>

*See auditor's report and accompanying notes to these financial statements*

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
<b>Revenues:</b>			
Property taxes	\$ 1,297,744	\$ -	\$ 1,297,744
Investment earnings	632	-	632
Miscellaneous	29,277	-	29,277
Grants		80,950	80,950
<b>Total general revenues</b>	<u>1,327,653</u>	<u>80,950</u>	<u>1,408,603</u>
<b>Expenses:</b>			
Public safety - fire protection and rescue			
Personnel services	1,621,731	4,000	1,625,731
Materials and services	360,695	76,950	437,645
Capital related items	-	-	-
Principal paid on long-term debt	-	-	-
Interest	-	-	-
<b>Total expenses</b>	<u>1,982,426</u>	<u>80,950</u>	<u>2,063,376</u>
<b>Excess of revenues over (under) expenditures before other financing sources (uses)</b>	<u>(654,773)</u>	<u>-</u>	<u>(654,773)</u>
<b>Total fund balances - beginning of the year</b>	<u>447,589</u>	<u>-</u>	<u>447,589</u>
<b>Total fund balances - end of the year</b>	<u>\$ (207,184)</u>	<u>\$ -</u>	<u>\$ (207,184)</u>

*See auditor's report and accompanying notes to these financial statements*



**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**

Net change in fund balances-total governmental funds \$ (654,773)

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

Governmental funds reported capital outlays as expenditures. However,  
in the statement of activities the cost of those assets is allocated over  
their estimated useful lives and reported as depreciation expense. This  
is the amount by which depreciation in the amount of \$29,882  
exceeded capital asset additions of \$24,000 for the current period. (5,882)

Reductions in deferred revenue that provide current financial resources to  
governmental funds are not reported as revenues in the statement of  
activities. (27,471)

Bond proceeds provide current financial resources to governmental funds, but  
issuing debt increases long-term liabilities in the statement of net assets.  
Repayment of debt principal is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the statement of net assets:

Changes in accrued compensated absences	(5,250)
Changes in net pension obligation	<u>221,236</u>

Change in net assets of governmental activities. \$ (472,140)

***See auditor's report and accompanying notes to these financial statements***

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

The accounting methods and procedures adopted by the Valley Falls Fire District (Station), Cumberland, Rhode Island, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Station's Annual Financial Report.

The more significant of the Station's accounting policies are described below.

***A. Financial Reporting Entity***

The Valley Falls Fire District, Cumberland, Rhode Island, and (the Station), was incorporated by an act of the Rhode Island General Assembly. The primary function includes fire protection within a certain geographic area within the Town of Cumberland, Rhode Island. The Town of Cumberland has four fire district that are each responsible to provide services to a designated geographic area with the Town. "The Financial Reporting Entity" includes only the Valley Falls Fire District.

Managerial responsibility for the operations of the fire department is vested in a five member Board of Fire Commissioners.

The accounting methods and procedures adopted by the Station conform to generally accepted accounting principles (GAAP) as applied to governmental entities and follow the uniform system of accounts prescribed by regulatory bodies having jurisdiction. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In the Statement of Net Assets and Statement of Activities, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

***B. Fund Accounting***

The general fund account of the Station is organized on the basis of funds. The operations of the fund are summarized by providing a separate set of self-balancing accounts, which includes assets, liabilities, fund equity, revenues and expenses or expenditures. The Station uses the General Fund to report the operating fund of the general government activities.

***C. Basis of Accounting***

**Governmental Fund Financial Statements**

Governmental Fund Financial Statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance for each major governmental fund and non-major governmental funds in total. An accompanying schedule is presented to reconcile and explain

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

***C. Basis of Accounting (Continued):***

the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-Wide Financial Statements.

All governmental funds are accounted for using the spending or "current financial resources" measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable means the amount of revenue can be determined. Expenditures generally are recorded when a liability is incurred, consistent with accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Government-Wide Financial Statements**

The Station's Government-Wide Financial Statements include a Statement of Net Assets and Statement of Activities report information on all of the activities of the primary government. The Station operations consist of governmental activities, which are normally supported by taxes. The Station has no business-type activities, which rely to a significant extent on fees and charges for support. If the Station had business-type activities, these activities would be reported separately from governmental activities.

These statements are presented using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the Station's assets, liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Net Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. Program revenues for the Station are reported as charges for services. The station has not received any operating grants or contributions.

The Station reports all transactions in the General Fund. The general fund is the operating fund of the Station. It is used to account for all financial resources, except those required to be accounted for in another fund. The acquisition of certain capital assets, such as firefighter apparatus and equipment, is accounted for in the general fund when it is responsible for the financing of such expenditures.

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

***C. Basis of Accounting (Continued):***

Certain eliminations have been made as prescribed by GASB Statement No. 34 for interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated.

***D. Budgets and Budgetary Accounting***

As set forth in the Station's enabling legislation, voters adopt an annual budget, annual tax levy amount and property tax rate for the general fund activity, related to fire protection. The annual budget for the general fund is prepared on a modified cash basis of accounting which is utilized by that fund for establishing its annual tax assessment.

***E. Encumbrances***

The Station has not adopted an encumbrance accounting system.

***F. Cash, Cash Equivalents and Investments***

Cash and Cash equivalents include cash and high liquid investments with a maturity of three months or less at the time of purchase and are stated at cost. All other investments are stated at fair value.

***G. Receivables***

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable. The estimated amount is based on historical data and the periodic review of the accounts receivable aging.

***H. Other Assets***

Other assets held are recorded and accounted for at cost.

***I. Capital Assets***

Capital assets are reported in the Government-Wide Statement of Net Assets, but are not reported in the Government Fund Financial Statements.

The Station defines capital assets as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost.

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

***I. Capital Assets (Continued):***

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

Depreciation of exhaustible fixed assets is charged as an expense against operations, and accumulated depreciation is reported on the fund's balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. No depreciation is taken on land or land rights. Expenditures for additions and betterments are capitalized.

***J. Pensions***

The provisions for pension cost is recorded on an accrual basis, and the Station's policy is to fund pension costs to the extent funds are available.

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) of Rhode Island and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***K. Fund Equity***

The Government-Wide Financial Statements utilize a net asset presentation. Net assets are categorized as invested in capital assets, net of related debt or unrestricted.

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

***Unrestricted Net Assets*** – This category represents net assets of the Station, not restricted for any other project or purpose.

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

***K. Fund Equity (Continued):***

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. At June 30, 2015, reservations of fund balances are described below:

***Reserve for Future Apparatus*** – to reserve funds needed for purchase of fire apparatus.

***L. Revenues and Expenditures/Expenses***

Revenues for governmental funds are reported when they are determined to be both measurable and available. Generally, tax revenue, fees, and non-tax revenues are recognized when due. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred. The Station recognizes rescue service income based upon a net realizable amount from third party payers and others for services rendered.

***M. Unearned Revenue***

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until revenue is both measurable and the Station is eligible to realize the revenue.

***N. Property Taxes***

Property taxes are levied on July 1, 2014 on personal and real property of the Station's geographical area based on the assessed value of property listed on the tax rolls of the Town of Cumberland on December 31, 2013. Assessed values are based upon fair market value as of December 31, 2013. A revaluation of all real property must be made every ten years. The last valuation date was 2007. Taxes not paid by January 1<sup>st</sup> are delinquent and carry an interest charge of 12 percent per annum from December 15.

***O. Vacation, Sick Leave and Other Compensated Absences***

Compensated absences are payments to employees for accumulated time such as paid vacation, paid holidays, sick pay. A liability for compensated absences that is attributable to services already rendered is accrued as the employees earn the rights to the benefits. The Station uses the vesting method to calculate the compensated absences amount and is reported in the government-wide financial statements. Compensated absences are not reported at the fund level represent a reconciling item between the fund level and the government-wide presentations.

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

***P. 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.

***Q. Net Position***

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

- 1) **Net investment 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 bond, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2) **Restricted net position** - Consists of net position which is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external groups such as creditors, grantors, contributors, laws/regulations of other governments, law through constitutional provisions, or enabling legislation.
- 3) **Unrestricted net position** – All remaining net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The Station applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***R. Fund Financial Statements***

Governmental fund equity is classified as fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. These categories are described below:

- **Nonspendable**- Includes the amount of fund balances that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact.
- **Restricted** – Includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.



**VALLEY FALLS FIRE DISTRICT, STATION 1**  
***NOTES TO THE FINANCIAL STATEMENTS***  
***JUNE 30, 2015***

- **Committed Fund Balance** – Includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the of the Station's highest level of decision making authority, which for the Station, is the Board of Fire Commissioners. Those committed amounts cannot be used for any other purpose unless the Board of Fire Commissioners removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Board of Fire Commissioners is the highest level of decision-making authority and utilizes resolutions as a formal procedure to commit fund balance. In addition, the passage of the budget by the taxpayers at the annual financial meeting is considered the commitment of funds for the line items included in the fiscal budget.
- **Assigned Fund Balance** – Includes amounts that are constrained by the Station's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by the governing body itself or a body (a budget or finance committee) or official to which the governing body has delegate the authority to assign amounts to be used for specific purposes. The Fire Chief through the Board of Fire Commissioners has the authority to assign fund balance. Fund balance assigned by the Commissioners is documented through issuance of a memorandum
- **Unassigned Fund Balance** – Is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The unassigned fund balance may also include negative balances for any governmental funds if the expenditures exceed amounts restricted, committed, or assigned for specific purposes.

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 2. DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS**

"Total fund balances" of the Fire District's governmental funds (\$100,070) differs from "net assets" of governmental activities (\$508,641) reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. The effect of the differences is illustrated below.

**Balance Sheet/Statement of Net Assets**

	<b>Total Governmental Funds</b>	<b>Long-term Assets/ Liabilities (1)</b>	<b>Reclassifications and Eliminations (2)</b>	<b>Statement Net Assets Totals</b>
<b>Assets</b>				
Cash and investments	\$ 21,354	\$ -	\$ -	\$ 21,354
<b>Accounts receivable:</b>				
Taxes receivable	78,716	-	-	78,716
Other receivables	-	-	-	-
Internal balances	-	-	-	-
Capital assets	-	408,571	-	408,571
<b>Total assets</b>	<u>100,070</u>	<u>408,571</u>	<u>-</u>	<u>508,641</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	66,937	-	-	66,937
Deferred revenues	78,715	(78,715)	-	-
Internal balances	155,000	-	(155,000)	-
<b>Long-term liabilities</b>				
Due within one year	-	23,542	-	23,542
Due in more than one year	-	1,010,324	-	1,010,324
<b>Total liabilities</b>	<u>300,652</u>	<u>955,151</u>	<u>(155,000)</u>	<u>1,100,803</u>
<b>Fund Balances/Net Assets</b>				
Total fund balances/net assets	(200,582)	(546,580)	155,000	(592,162)
<b>Total liabilities and fund balances/net assets</b>	<u>\$ 100,070</u>	<u>\$ 408,571</u>	<u>\$ -</u>	<u>\$ 508,641</u>

- (1) When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Fire District as a whole.

Cost of capital assets	\$ 1,546,335
Accumulated depreciation	(1,137,764)
	<u>\$ 408,571</u>

Because the focus of governmental funds is on short term financing, some assets will not be available to pay for current period expenditures. Those assets (for example receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance. Also, some expenditures in the governmental activities do not reflect current period charges.

Adjustment of deferred revenue	<u>\$ 78,715</u>
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Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net assets.

Accrued compensated absences	\$ 235,415
Net pension obligation	798,451
	<u>\$ 1,033,866</u>

- (2) The elimination of internal balances of governmental activities.

<u>\$ 155,000</u>
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**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 3. DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES**

The "net change in the fund balances" for governmental funds (-\$685,373) differs from the "change in net assets" for governmental activities (-\$502,740) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

**Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities**

	<u>Total Governmental Funds</u>	<u>Long-term Revenues/ Expenses (1)</u>	<u>Capital- related Items (2)</u>	<u>Long-term Debt Transactions (3)</u>	<u>Statement of Activities Totals</u>
<b>Revenues</b>					
Property taxes	\$ 1,297,744	\$ (27,471)	\$ -	\$ -	\$ 1,270,273
Investment earnings	632	-	-	-	632
Miscellaneous	29,277	-	-	-	29,277
Grants and intergovernmental revenue	80,950	-	-	-	80,950
<b>Total revenues</b>	<u>\$ 1,408,603</u>	<u>(27,471)</u>	<u>-</u>	<u>-</u>	<u>1,381,132</u>
<b>Expenditures</b>					
Public safety - fire protection and rescue:					
Personal services	1,625,731	-	-	(215,986)	1,409,745
Materials and services	437,645	-	-	-	437,645
Capital related items	-	-	5,882	-	5,882
Principal paid on long-term debt	-	-	-	-	-
Interest expense	-	-	-	-	-
<b>Total expenditures</b>	<u>2,063,376</u>	<u>-</u>	<u>5,882</u>	<u>(215,986)</u>	<u>1,853,272</u>
<b>Other financing uses/changes in net assets</b>					
Proceeds from long-term borrowings	-	-	-	-	-
<b>Net change for the year</b>	<u>\$ (654,773)</u>	<u>\$ (27,471)</u>	<u>\$ (5,882)</u>	<u>\$ 215,986</u>	<u>\$ (472,140)</u>

- (1) Reductions in deferred revenues that provide current financial resources to governmental funds are not reported as revenues in the statement of activities. State funded public service corporation tax revenues that are not accrued for in the governmental funds are reported as revenues in the statement of activities.

Deferred revenue property tax	(27,471)
<u>\$</u>	<u>(27,471)</u>

- (2) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ 24,000
Depreciation Expense	\$ (29,882)
<u>\$</u>	<u>(5,882)</u>

- (3) Long-term employee benefits that do not require the use current financial resources are not reported as expenditures in the governmental funds but are in the statement of activities.

Accrued compensated absences	(5,250)
Net pension obligation	221,236
<u>\$</u>	<u>215,986</u>

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Deposits with Financial Institutions***

State statutes require that the Station's time deposits invested for more than sixty days and in excess of FDIC insurance is one hundred percent collateralized by eligible collateral by the depository institutions holding excess deposits. At the balance sheet date the Station and its financial institutions had complied with the statute.

**NOTE 5 - CASH**

***Deposits***

Deposits are kept at a local bank and are carried at cost. The carrying amount of deposits is separately displayed on the balance sheet as "Cash".

GASB 3 establishes classifications for deposits with financial institutions and investments. Deposit accounts include demand savings and time deposit accounts, NOW accounts and non-negotiable certificates of deposit (CD's) in banks, savings and loan associations, and credit unions.

At June 30, 2015 the carrying amount of the Station's deposits was \$21,354 and the bank balances were aggregated to \$43,827.

The custodial credit risk is the risk that, in the event of failure of a depository financial institution, a government 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. As of June 30 2015, the Station's cash balance was below the Federal Deposit Insurance Corporation (FDIC) limitation of \$250,000 and therefore was fully insured.

**NOTE 6- PROPERTY TAXES/ACCOUNTS RECEIVABLE**

Property taxes attach as an enforceable lien on property as of November 1. Taxes are levied on July 1 and are due and payable on August 15 of the same year. The Station bills and collects its own property taxes.

The statutes of the State of Rhode Island prescribe a legal limit to the property tax rate at 5 mills per dollar of assessed valuation. For the year ended June 30, 2015, the Station had a tax rate of 2.80 per thousand of the assessed valuation. The tax levy for July 1, 2015 will be recorded on the new combined Cumberland Fire District (see Note 17)

Property taxes receivable as of June 30, 2015, are composed of the following:

General Fund	<u>\$ 78,716</u>
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**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 7 – DEFERRED INFLOW OF RESOURCES**

General fund has unearned tax revenue that is measurable but not available. These funds amount to \$78,716 at June 30, 2015.

**NOTE 8 – CAPITAL ASSETS**

A summary of capital assets as of June 30, 2015:

	<b><u>General Fund</u></b>	<b><u>Total</u></b>
Land	\$ 115,100	\$ 115,000
Buildings and building improvements	821,100	821,100
Equipment	105,000	105,000
Fire protection and rescue equipment	449,598	449,598
Vehicles	<u>55,537</u>	<u>55,537</u>
Less: Accumulated Depreciation	<u>1,137,764</u>	<u>1,137,764</u>
Net capital assets	<u>\$ 408,571</u>	<u>\$ 408,571</u>

**NOTE 9 – SCHEDULE OF LONG TERM DEBT**

**VALLEY FALLS FIRE DEPARTMENT, STATION 1**  
**Schedule of Long-Term Debt**  
**For the Year Ended June 30, 2015**

	<b><u>Outstanding 7/1/2014</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Outstanding 6/30/2015</u></b>
Accrued compensated absences	230,165	5,250	-	235,415
Net pension obligation	1,019,687	-	221,236	798,451
Total general long-term debt payable	<u>\$ 1,249,852</u>	<u>\$ 5,250</u>	<u>\$ 221,236</u>	<u>\$ 1,033,866</u>

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 - PENSION COSTS**

The Station has pension plans through participation in the Municipal Employee Retirement System (MERS) which is part of the total Employees Retirement System of Rhode Island, or (ERSRI).

Plan Description - The Municipal Employees' Retirement System (MERS) – an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at [www.ersri.org](http://www.ersri.org).

Benefits provided – For general employees prior to June 30, 2012 the plan provided retirement benefits equal to 2% of a member's final average salary multiplied by the number of years of total service up to a maximum of 75%. Such benefits are available to members at least age 58 with 10 years of service or after 30 years of service at any age. Benefits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act until it is exceeded by the member's full years of service credit, including service after June 30, 2012, multiplied by the average of five consecutive years of compensation. Effective July 1, 2012 the retirement age will mirror the Social Security Normal Retirement Age not to exceed age 67. Members will receive a benefit accrual of 1.0% per year based on the five-year average compensation.

Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62).

Prior to June 30, 2012 police and fire personnel may retire at age 55 if they have 10 years of service or after 25 years of service at any age. An option may be elected to provide a 20 year service pension with a benefit equal to 2.5% for each year of service up to a maximum of 75% for police and fire personnel. Benefits are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

The new retirement age will be 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters, that are

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 - PENSION COSTS**

at least 45 years old, have 10 or more years of contributing service and are eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52.

As of June 30, 2012 members will continue to have a frozen benefit accrual of 2.0% per year for a standard 25 year with any age and out plan; 2.5% for a standard 20 year with any age and out plan. Effective July 1, 2012 the optional 20 and 25 year with retirement at any age plans have been eliminated. The benefit accrual for all plans will be 2.0% per year based on the five-year average compensation, exclusive of overtime. Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit will be calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act. The plan also provides survivor's benefits; and certain lump sum death benefits.

Plan members are vested after five years of service.

In addition to participating in the MERS program, the Station self-administers a COLA benefit plan and pays an annual COLA benefit to retirees. The total amount of COLA related payments made directly to (8) eight retirees for the year ended June 30, 2015 was \$10,312.

The COLA plan is funded in a pay-as-you-go manner on an annual basis. Employees, currently and in the past, have not contributed toward the plan. All new employees hired after June 30, 2015 will participate in the Rhode Island State MERS COLA plan and will not participate in this self-administered COLA program. And, based on its relatively low cost, the Station has not acquired an actuarial valuation of the COLA plan.

The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement.

***Employees covered by benefit terms*** - At the June 30, 2013 valuation date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	8
Inactive, nonretired members	3
Active members	13
<b>Total</b>	<b>24</b>



**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 - PENSION COSTS**

**Contributions** - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees are required to contribute 1% of their salaries. Public safety employees are required to contribute 7% of their salaries. The Valley Falls Fire District contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Valley Falls Fire District contributed \$153,880 in the year ended June 30, 2015 which was 100% of annual covered payroll.

**Net Pension Liability** - The total pension liability was determined by actuarial valuations performed as of June 30, 2013 and rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2014 measurement date (June 30, 2013 valuation rolled forward to June 30, 2014)	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll - Closed
Equivalent Single Remaining Amortization Period	21 years at June 30, 2014
Actuarial Assumptions	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police & Fire Employees - 4.00% to 14.00%
Inflation	2.75%
Mortality	Male Employees, MERS General and MERS P&F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.  Female Employees, MERS General and MERS P&F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
Cost of Living Adjustments	COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the latter of Social Security eligibility age or 3 years after retirement except for MERS Police and Fire for which the COLA is delayed until the later of age 55 or 3 years after retirement.  A 2% COLA is assumed after January 1, 2014.

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 - PENSION COSTS**

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

<b>Asset Class</b>	<b>Target allocation</b>	<b>Medium-term expected real rate of return</b>
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge funds	8%	4.75%
Absolute return hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	100%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

**Discount rate** - The discount rate used to measure the total pension liability of the plans was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 - PENSION COSTS**

<b>Changes in the Net Pension Liability (Asset)</b>			
<b>From GRS employer specific valuation</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balances as of June 30, 2013	4,009,615	2,989,928	1,019,687
Changes for the Year	-	-	-
Service cost	114,280	-	114,280
Interest on the total pension liability	294,488	-	294,488
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	(38,933)	-	(38,933)
Employer contributions	-	102,119	(102,119)
Employee contributions	-	52,114	(52,114)
Net investment income	-	439,591	(439,591)
Benefit payments, including employee refunds	(280,489)	(280,489)	-
Administrative expense	-	(2,753)	(2,753)
Other changes	-	-	-
Net changes	89,346	310,582	(221,236)
Balances as of June 30, 2014	4,098,961	3,300,510	798,451

***Sensitivity of the Net Pension Liability to changes in the discount rate-*** The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

<b>1.00% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1.00 Increase (8.5%)</b>
\$1,237,448	\$798,451	\$359,455

Pension plan fiduciary net position - detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10 - PENSION COSTS**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2015 the Valley Falls Fire District recognized pension expense of \$153,880. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Difference in experience	\$ -	\$ -
Differences in assumptions	-	5,505
Excess(deficit) Investment Returns	-	44,037
Total	\$ -	\$ 49,542

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Net Deferred Outflows of Resources</b>
2016	\$ (49,542)
2017	(49,542)
2018	(49,542)
2019	(49,542)
2020	(5,505)
Thereafter	(5,903)
Total	\$ (209,575)

**NOTE 11 - RISK MANAGEMENT**

The Station 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 natural disaster. The Station is insured for public liability, workers compensation, professional liability, errors and omissions, accident, property damage, fiduciary and excess liability with commercial insurance carriers.

**NOTE 12 - POST-EMPLOYMENT HEALTHCARE BENEFITS**

The Station does not provide for any other post-employment health benefits.

**VALLEY FALLS FIRE DISTRICT, STATION 1**  
***NOTES TO THE FINANCIAL STATEMENTS***  
***JUNE 30, 2015***

**NOTE 13 - COMPENSATED ABSENCES**

As of June 30, 2015, the liability for accrued sick leave was approximately \$235,415.

**NOTE 14 - INCOME TAXES**

The Station is chartered by the State legislature as a Special Station (governmental) corporation and, accordingly, is not subject to federal and state income taxes.

**NOTE 15 – GRANTS**

The Station received \$76,950 from Assistance to Firefighters grant and \$4,000 from SAFER grant. The funds were used to purchase equipment.

**NOTE 16 – SUBSEQUENT EVENTS**

The Station's management has evaluated subsequent events through December 1, 2015, the date the financial statements were available to be issued. Effective July 1, 2015, the Town of Cumberland has reorganized their Fire District. The Cumberland Hill Fire District, Station 4 will operate within a city wide Fire District.

**VALLEY FALLS FIRE DEPARTMENT**  
**Statement of Revenues and Expenditures**  
**General Fund**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
General Revenues			
Property taxes	\$ -	\$ 1,269,456	\$ 1,269,456
Interest on taxes	-	28,288	28,288
Interest earned	-	632	632
Miscellaneous income	-	29,277	29,277
Grant Income	-	80,950	80,950
<b>Total revenue</b>	<u>-</u>	<u>1,408,603</u>	<u>1,408,603</u>
<b>Expenditures</b>			
Fire and rescue expenses:			
Personnel services	1,521,448	1,625,731	(104,283)
Materials and services			
Equipment and supplies	32,000	106,136	(74,136)
Maintenance and repairs	37,430	73,161	(35,731)
Operations	87,432	93,582	(6,150)
Clothing	14,735	17,075	(2,340)
Training	7,500	4,259	3,241
Insurance	72,720	99,779	(27,059)
Utilities and services	19,975	43,927	(23,952)
Capital items	-	24,000	(24,000)
Legal Settlement	-	(274)	274
Depreciation Expense	-	-	-
<b>Total expenditures</b>	<u>1,793,240</u>	<u>2,087,376</u>	<u>(294,136)</u>
<b>Excess of revenues over (under) expenditures before other financing sources (uses)</b>	<u>(1,793,240)</u>	<u>(678,773)</u>	<u>1,114,467</u>
<b>Excess of revenue over (under) expenditures and other financing sources - Budget basis</b>	<u>\$ (1,793,240)</u>	<u>(678,773)</u>	<u>\$ 1,114,467</u>
<b>Add:</b>			
Reservations not considered expenses for GAAP purposes		<u>-</u>	
<b>Excess of revenue over (under) expenditures and other financing sources - GAAP basis</b>		<u>\$ (678,773)</u>	

**VALLEY FALLS FIRE DISTRICT, STATION 1  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS CURRENT YEAR  
FISCAL YEAR ENDED JUNE 30, 2014**

Measurement period ending June 30,	<u><b>2014</b></u>
<b>Total Pension Liability</b>	
Service Cost	\$ 114,280
Interest on the Total Pension Liability	294,488
Benefit Changes	-
Difference Between Expected and Actual Experience	-
Assumption Changes	(38,933)
Benefit Payments	<u>(280,489)</u>
<b>Net Change in Total Pension Liability</b>	<u>89,346</u>
<b>Total Pension Liability - Beginning</b>	<u>4,009,615</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 4,098,961</u></u>
<b>Plan Fiduciary Net Position</b>	
Employer Contributions	\$ 102,119
Employee Contributions	52,114
Pension Plan Net Investment income	439,591
Benefit Payments	(280,489)
Pension Plan Administrative Expense	(2,753)
Other Changes in Plan Fiduciary Net Position	-
<b>Net Change in Plan Fiduciary Net Position</b>	<u>310,582</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>2,989,928</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 3,300,510</u></u>
<b>Net Pension Liability/(Asset) - Ending (a) - (b)</b>	<u>798,451</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	80.52%
<b>Covered Employee Payroll</b>	\$ 744,492
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	107.25%



**VALLEY FALLS FIRE DISTRICT, STATION 1  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**SCHEDULE OF CONTRIBUTIONS MULTIYEAR  
Last 10 Fiscal Years**

<b>FY Ending June 30,</b>	<b>Actuarially Determined Contribution as a Percent of Covered Payroll</b>	<b>Actual Contributed by Participating Employers</b>	<b>Total Employer Contribution for the Prior Fiscal Year</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>	<b>(f)</b>
2015	13.72%	13.72%	\$ 102,119	-	\$ 744,492

**VALLEY FALLS FIRE DISTRICT, STATION1  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS MULTI YEAR**

	Last 10 Fiscal Years (to be built prospectively)									
Measurement period ending June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Total Pension Liability</b>										
Service Cost	\$ 114,280									
Interest on the Total Pension Liability	294,488									
Benefit Changes	-									
Difference Between Expected and Actual Experience	-									
Assumption Changes	(38,933)									
Benefit Payments	(280,489)									
<b>Net Change in Total Pension Liability</b>	<b>89,346</b>									
<b>Total Pension Liability - Beginning</b>	<b>4,009,615</b>									
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 4,098,961</b>									
<b>Plan Fiduciary Net Position</b>										
Employer Contributions	\$ 102,119									
Employee Contributions	52,114									
Pension Plan Net Investment income	439,591									
Benefit Payments	(280,489)									
Pension Plan Administrative Expense	(2,753)									
Other Changes in Plan Fiduciary Net Position	-									
<b>Net Change in Plan Fiduciary Net Position</b>	<b>310,582</b>									
<b>Plan Fiduciary Net Position - Beginning</b>	<b>2,989,928</b>									
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 3,300,510</b>									
<b>Net Pension Liability/(Asset) - Ending (a) - (b)</b>	<b>798,451</b>									
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>80.52%</b>									
<b>Covered Employee Payroll</b>	<b>\$ 744,492</b>									
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>107.25%</b>									

**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***

To the Honorable Board of Fire Commissioners  
Cumberland, 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 of the Valley Falls Fire District, Station 1 (Station), as of and for the year then ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements and have issued our report thereon dated December 1, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Station'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 Station's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

Our consideration of internal control over was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 Station's financial statements will not be prevented, or detected and corrected on a timely basis. The results of our tests disclosed no material weaknesses that we are required to be reported under *Government Auditing Standards*.

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. The results of our tests disclosed significant deficiencies that are required to be reported under *Government Auditing Standards*. We consider the deficiencies described in the accompanying schedule of findings and responses item **2015-001** to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Station'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*.

We noted certain other matters that we reported to management of the Station in a separate letter dated December 1, 2015.

### **Valley Falls Fire District, Station 1, Response to Findings**

The Station's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Station's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 communication is not suitable for any other purpose.

Parmelee, Poirier & Associates, LLP  
December 1, 2015

# **VALLEY FALLS FIRE DISTRICT, STATION 1**

## *Schedule of Findings and Responses For The Fiscal Year Ended June 30, 2015*

### **FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

#### ***FINDINGS AND RESPONSES***

##### **2015-001 Duplicate payments**

We identified a significant deficiency during the testing of cash disbursements. Two disbursements were double paid. The disbursements were paid online and they were processed for payment by check. One of the vendor realized it was a double payment and never cashed the check. The other disbursement resulted in a credit on the station's account.

##### **RECOMMENDATION:**

It is our recommendation that the Chief, Business Manager or Finance Director reviews all invoices presented for payment and indicates his approval for payment by either initialing or signing the supporting documentation. The staff should be instructed to refrain from processing any checks without the appropriate approval, thereby ensuring all cash outlays are for approved goods and services. In addition, prior to processing any checks the QuickBooks vendor account should be reviewed to be sure these invoices have not already been paid. If the station is going to allow online payments then certain vendors should be set up for online payments and these vendors should not be receiving payment checks. Further we recommend the station always pay invoices, whether online or by check, with a purchase order and any other supporting documentation. If an invoice is lacking documentation that may be a red flag that this is a duplicate payments. The station should not process cash disbursements from a vendor statement. These procedures will safeguard the station's cash and reduce the labor, time, and cost associated with the detection of duplicate payments.

##### **MANAGEMENT RESPONSE:**

Management agrees with this comment. All payment activity, including on-line vendor payments, of the town-wide district, by established and documented procedure is now required to be approved by the Business Manager for administrative type invoices or the Fire Chief for operations related invoices. All on-line payments must be administered in the central Finance Department by either the Accounts Payable Clerk or the Business Manager. During the current 2015-2016 fiscal year, staff members have complied with this requirement without exception. Also, in order to prevent the occurrence of duplicate payment, the Accounts Payable Clerk is required to initial all invoices confirming an unpaid status. Currently, the actual invoices, and not statements, are required for the payment processing to be initiated.

December 1, 2015

To the Honorable Board of Commissioners  
Valley Falls Fire District, Station 1  
1530 Mendon Road  
Cumberland, RI 02864

In planning and performing our audit of the financial statements of the Valley falls Fire District, Station 1 (Station) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Valley Falls Fire District, Station 1 internal control over financial reporting (internal control) as a basis for designing 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 Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station'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 Station's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet is important enough to merit attention by those charged with governance. The results of our tests disclosed significant deficiencies, but no material weaknesses, that we are required to report under Government Auditing Standards. These matters have been communicated to you in a report dated December 1, 2015.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies, but not material weaknesses.

Matters that should be addressed that are not considered material weaknesses or a deficiency are the procedures in regard to the preparation of the annual budget and the calculation of overtime.

Currently, the budget has been prepared for expense items only. In addition, cash payments were the basis for the budget amount, rather than the annual expense for each line item (whether it was paid or accrued). Since the budget is a significant tool for management and is used as a benchmark for identifying, measuring, analyzing and reporting their financial information, it should include budgeted revenue and expense on an accrual basis. This will provide a more comprehensive financial road map for the Fire District's business operations. Therefore, completeness and accuracy is the goal for the budgeted amounts.

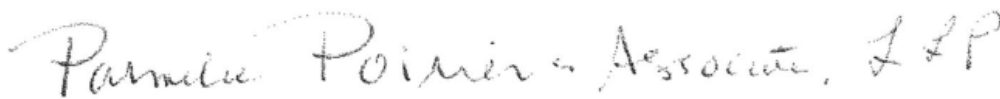
### **Other Matters**

We applied certain limited procedures to the required supplementary reports as outlined in the financial statement's table of content; these reports are required supplementary information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

### **Restriction on Use**

This information is intended solely for the use of the Board of Commissioners and management of Valley Falls Fire District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Parmelee Poirier & Associates, LLP".

Parmelee, Poirier & Associates, LLP  
December 1, 2015

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***VALLEY FALLS FIRE DISTRICT,  
STATION 1***

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***Communication with Those Charged  
With Governance as Required by  
Auditing Standards***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015***

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***Parmelee, Poirier & Associates LLP***

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December 1, 2015

Honorable Board of Fire Commissioners  
Valley Falls Fire District  
555 High Street  
Cumberland, RI 02864

Dear Sirs:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Valley Falls Fire District (the Station), as of and for the eight months ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to our planned scope and timing of our audit. We have communicated such information in our letter to you dated July 13, 2015. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practice*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Valley Falls Fire District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the eight months ended June 30, 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates affecting the financial statements, except for management's estimate related to capital assets and the corresponding accumulated depreciation from previous years.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no significant disclosures affecting the financial statements.

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

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. These entries were related to the adjustments of the beginning balances and recording of year end accruals and depreciation expense.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 1, 2015.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

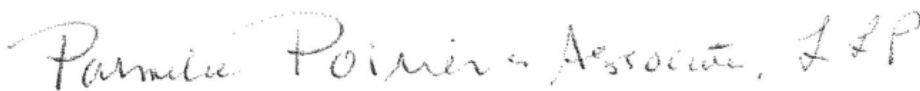
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Station's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were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

Management failed to include the longevity bonus compensation when computing an overtime rate for employees. Overtime compensation must be based upon the regular rate of pay. However the regular rate of pay must include all payments for employment paid to or on behalf of a non-exempt employee. Therefore, the overtime rate must be computed using all types of compensation, including but not limited, bonuses, shift-differentials, retroactive pay increases, good attendance of longevity payments.

The current fiscal management recognized this omission and effective July 1, 2105 longevity bonus and any other applicable forms of compensation have been included in the overtime rate.

This communication is intended solely for the information and use of management, The Board of Commssioners, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Parmelee Poirier & Associates, LLP".

Parmelee, Poirier & Associates, LLP

December 1, 2015

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***CUMBERLAND FIRE DISTRICT,  
STATION 2***

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***AUDITED FINANCIAL STATEMENTS***

***JUNE 30, 2015***

***Thomas Bruce  
Finance Department***

***Bruce Lemois  
Chairman***

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***Parmelee Poirier & Associates, LLP***

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**CUMBERLAND FIRE DISTRICT, STATION 2**  
**Annual Financial Report**  
**For the Fourteen Months June 30, 2015**

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Board of Fire Commissioners  
Cumberland Fire District, Station 2  
Cumberland, Rhode Island

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities of the Cumberland Fire District, Station 2 (the Station) as of and for the fourteen months ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Station'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 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 of 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 financial statement presentation.

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 financial position of the governmental activities of the Cumberland Fire District, Station 2 and the respective changes in financial position thereof, for the fourteen months then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the certain information on pages 26 through 29, be presented to supplement the basic financial statements. Although not a part of the 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 applied certain limited procedures to the required supplementary information in accordance with accounting 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 obtained during our audit of the basic financials 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Station's financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Cumberland Fire District, Station 2. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2015 on our consideration of the Cumberland Fire District, Station 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 *Government Auditing Standards* in considering the Cumberland Fire District, Station 2's internal control over financial reporting and compliance.



Parmelee, Poirier & Associates, LLP  
December 1, 2015

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**Statement of Net Assets**  
**June 30, 2015**

**ASSETS**

Cash and investments	\$ 101,420
Taxes receivable	53,296
Other receivables	2,292
Prepaid expenses	-
Capital assets, net of accumulated depreciation, where applicable	117,876
<b>TOTAL ASSETS</b>	<u>274,884</u>

**LIABILITIES**

Accounts payable	36,528
Long-term liabilities:	
Portion due within one year	29,320
Portion due after one year	1,389,457
<b>TOTAL LIABILITIES</b>	<u>1,455,305</u>

**NET ASSETS**

Invested in capital assets, net of related debt	117,876
Unrestricted	(1,298,297)
<b>TOTAL NET ASSETS</b>	<u>\$ (1,180,421)</u>

*See auditor's report and accompanying notes to these financial statements*



**CUMBERLAND FIRE DISTRICT, STATION 2**  
**Statement of Activities**  
**For the Fourteen Months Ended June 30, 2015**

Cash and investments Functions/Programs	Expenses	Program revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Primary government</b>				
Public safety - fire protection and rescue:				
Personnel services	\$ 1,437,399	\$ -	\$ -	\$ (1,437,399)
Materials and services	384,667	-	-	(384,667)
Capital related items	1,355	-	-	(1,355)
Interest expense	-	-	-	-
<b>Total governmental activities</b>	<b>\$ 1,823,421</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(1,823,421)</b>
<b>General revenues:</b>				
		Property taxes		1,578,628
		Investment earnings		11
		Miscellaneous		33,929
		<b>Total general revenues</b>		<b>1,612,568</b>
		<b>Increase in net assets</b>		<b>(210,853)</b>
		<b>Net assets - beginning of the year</b>		<b>(969,568)</b>
		<b>Net assets - end of the year</b>		<b>\$ (1,180,421)</b>

*See auditor's report and accompanying notes to these financial statements*

**CUMBERLAND FIRE DISTRICT, STATION 2**

**Balance Sheet  
Governmental Funds  
June 30, 2015**

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and investments	\$ 101,420		\$ 101,420
Taxes receivable	53,296	-	53,296
Other receivable	2,292		2,292
Internal balances	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 157,008</u>	<u>\$ -</u>	<u>\$ 157,008</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 36,528	\$ -	\$ 36,528
Deferred revenue - property tax	53,296	-	53,296
Internal balances	-	-	-
<b>TOTAL LIABILITIES</b>	<u>89,824</u>	<u>-</u>	<u>89,824</u>
<b>FUND BALANCES</b>			
Unassigned	<u>67,184</u>	<u>-</u>	<u>67,184</u>
<b>TOTAL FUND BALANCES</b>	<u>67,184</u>	<u>-</u>	<u>67,184</u>
	<u>\$ 157,008</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (see note 2)	117,876
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (see note 2)	53,296
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. (see note 2)	(1,418,777)
<b>Net assets of governmental activities</b>	<u>\$ (1,180,421)</u>

*See auditor's report and accompanying notes to these financial statements*

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fourteen Months Ended June 30, 2015**

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
<b>Revenues:</b>			
Property taxes	\$ 1,644,879	\$ -	\$ 1,644,879
Investment earnings	11	-	11
Miscellaneous	33,929	-	33,929
<b>Total general revenues</b>	<u>1,678,819</u>	<u>-</u>	<u>1,678,819</u>
<b>Expenses:</b>			
Public safety - fire protection and rescue			
Personnel services	1,653,549	-	1,653,549
Materials and services	384,667	-	384,667
Capital related items	-	-	-
Principal paid on long-term debt	-	-	-
Interest	-	-	-
<b>Total expenses</b>	<u>2,038,216</u>	<u>-</u>	<u>2,038,216</u>
<b>Excess of revenues over (under) expenditures before other financing sources (uses)</b>	<u>(359,397)</u>	<u>-</u>	<u>(359,397)</u>
<b>Total fund balances - beginning of the year</b>	<u>426,581</u>	<u>-</u>	<u>426,581</u>
<b>Total fund balances - end of the year</b>	<u>\$ 67,184</u>	<u>\$ -</u>	<u>\$ 67,184</u>

*See auditor's report and accompanying notes to these financial statements*

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fourteen Months Ended June 30, 2015**

Net change in fund balances-total governmental funds	\$ (359,397)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation in the amount of \$1,355 exceeded capital asset additions of \$-0- for the current period.	(1,355)
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Reductions in deferred revenue that provide current financial resources to governmental funds are not reported as revenues in the statement of activities.	(66,251)
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Long-term employee benefits that do not require the use of current financial resources are not reported as expenditures in the governmental funds but are in the statement of activities.

Changes in net pension obligation	<u>211,256</u>
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Change in net assets of governmental activities.	<u><u>\$ (210,853)</u></u>
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*See auditor's report and accompanying notes to these financial statements*

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2015*

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

The accounting methods and procedures adopted by the Cumberland Fire District Station 4 (Station), Cumberland, Rhode Island, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Station's Annual Financial Report.

The more significant of the Station's accounting policies are described below.

***A. Financial Reporting Entity***

The Cumberland Fire District Station 4, Cumberland, Rhode Island, (the Station), was incorporated by an act of the Rhode Island General Assembly. The primary function includes fire protection within a certain geographic area within the Town of Cumberland, Rhode Island. The Town of Cumberland has four fire district that are each responsible to provide services to a designated geographic area with the Town. "The Financial Reporting Entity" includes only the Cumberland Hill Fire District Station 4.

Managerial responsibility for the operations of the fire department is vested in a five member Board of Fire Commissioners.

The accounting methods and procedures adopted by the Station conform to generally accepted accounting principles (GAAP) as applied to governmental entities and follow the uniform system of accounts prescribed by regulatory bodies having jurisdiction. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In the Statement of Net Assets and Statement of Activities, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

***B. Fund Accounting***

The general fund account of the Station is organized on the basis of funds. The operations of the fund are summarized by providing a separate set of self-balancing accounts, which includes assets, liabilities, fund equity, revenues and expenses or expenditures. The Station uses the General Fund to report the operating fund of the general government activities.

***C. Basis of Accounting***

**Governmental Fund Financial Statements**

Governmental Fund Financial Statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance for each major governmental fund and non-major governmental funds in total. An accompanying schedule is presented to reconcile and explain

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2015*

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

***C. Basis of Accounting (continued):***

the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-Wide Financial Statements.

All governmental funds are accounted for using the spending or "current financial resources" measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable means the amount of revenue can be determined. Expenditures generally are recorded when a liability is incurred, consistent with accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Government-Wide Financial Statements**

The Station's Government-Wide Financial Statements include a Statement of Net Assets and Statement of Activities report information on all of the activities of the primary government. The Station operations consist of governmental activities, which are normally supported by taxes. The Station has no business-type activities, which rely to a significant extent on fees and charges for support. If the Station had business-type activities, these activities would be reported separately from governmental activities.

These statements are presented using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the Station's assets, liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Net Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. Program revenues for the Station are reported as charges for services. The station has not received any operating grants or contributions.

The Station reports all transactions in the General Fund. The general fund is the operating fund of the Station. It is used to account for all financial resources, except those required to be accounted for in another fund. The acquisition of certain capital assets, such as firefighter apparatus and equipment, is accounted for in the general fund when it is responsible for the financing of such expenditures.

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2015*

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

***C. Basis of Accounting (continued):***

Certain eliminations have been made as prescribed by GASB Statement No. 34 for interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated.

***D. Budgets and Budgetary Accounting***

As set forth in the Station's enabling legislation, voters adopt an annual budget, annual tax levy amount and property tax rate for the general fund activity, related to fire protection. The annual budget for the general fund is prepared on a modified cash basis of accounting which is utilized by that fund for establishing its annual tax assessment.

***E. Encumbrances***

The Station has not adopted an encumbrance accounting system.

***F. Cash, Cash Equivalents and Investments***

Cash and Cash equivalents include cash and high liquid investments with a maturity of three months or less at the time of purchase and are stated at cost. All other investments are stated at fair value.

***G. Receivables***

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable. The estimated amount is based on historical data and the periodic review of the accounts receivable aging.

***H. Other Assets***

Other assets held are recorded and accounted for at cost.

***I. Capital Assets***

Capital assets are reported in the Government-Wide Statement of Net Assets, but are not reported in the Government Fund Financial Statements.

The Station defines capital assets as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost.

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

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2015*

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

***I. Capital Assets (Continued):***

Depreciation of exhaustible fixed assets is charged as an expense against operations, and accumulated depreciation is reported on the fund's balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. No depreciation is taken on land or land rights. Expenditures for additions and betterments are capitalized.

***J. Pensions***

The provisions for pension cost is recorded on an accrual basis, and the Station's policy is to fund pension costs to the extent funds are available.

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) of Rhode Island and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***K. Fund Equity***

The Government-Wide Financial Statements utilize a net asset presentation. Net assets are categorized as invested in capital assets, net of related debt or unrestricted.

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

***Unrestricted Net Assets*** – This category represents net assets of the Station, not restricted for any other project or purpose.

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. At June 30, 2015, reservations of fund balances are described below:

***Reserve for Future Apparatus*** – to reserve funds needed for purchase of fire apparatus.



**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2015*

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

***L. Revenues and Expenditures/Expenses***

Revenues for governmental funds are reported when they are determined to be both measurable and available. Generally, tax revenue, fees, and non-tax revenues are recognized when due. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred. The Station recognizes rescue service income based upon a net realizable amount from third party payers and others for services rendered.

***M. Unearned Revenue***

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until revenue is both measurable and the Station is eligible to realize the revenue.

***N. Property Taxes***

Property taxes are levied on July 1, 2014 on personal and real property of the Station's geographical area based on the assessed value of property listed on the tax rolls of the Town of Cumberland on December 31, 2013. Assessed values are based upon fair market value as of December 31, 2013. A revaluation of all real property must be made every ten years. The last valuation date was 2007. Taxes not paid by January 1<sup>st</sup> are delinquent and carry an interest charge of 12 percent per annum from December 15.

***O. Vacation, Sick Leave and Other Compensated Absences***

Compensated absences are payments to employees for accumulated time such as paid vacation, paid holidays, sick pay. A liability for compensated absences that is attributable to services already rendered is accrued as the employees earn the rights to the benefits. The Station uses the vesting method to calculate the compensated absences amount and is reported in the government-wide financial statements. Compensated absences are not reported at the fund level represent a reconciling item between the fund level and the government-wide presentations.

***P. 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.

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2015*

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

***Q. Net Position***

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

- 1) **Net investment 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 bond, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2) **Restricted net position** - Consists of net position which is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Fire District or through external groups such as creditors, grantors, contributors, laws/regulations of other governments, law through constitutional provisions, or enabling legislation.
- 3) **Unrestricted net position** – All remaining net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The Station applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***R. Fund Financial Statements***

Governmental fund equity is classified as fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. These categories are described below:

- **Nonspendable**- Includes the amount of fund balances that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact.
- **Restricted** – Includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balance** – Includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the of the Station’s highest level of decision making authority, which for the Station, is the Board of Fire Commissioners. Those committed amounts cannot be used for any other purpose unless the Board of Fire Commissioners removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Board of Fire Commissioners is the highest level of decision-making authority and utilizes resolutions as a formal procedure to commit fund balance. In addition, the passage of the budget by the taxpayers at the annual financial meeting is considered the commitment of funds for the line items included in the fiscal budget.

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2015*

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

***R. Fund Financial Statements (Continued)***

- **Assigned Fund Balance** – Includes amounts that are constrained by the Station's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by the governing body itself or a body (a budget or finance committee) or official to which the governing body has delegate the authority to assign amounts to be used for specific purposes. The Fire Chief through the Board of Fire Commissioners has the authority to assign fund balance. Fund balance assigned by the Commissioners is documented through issuance of a memorandum
- **Unassigned Fund Balance** – Is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The unassigned fund balance may also include negative balances for any governmental funds if the expenditures exceed amounts restricted, committed, or assigned for specific purposes.

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 2. DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS**

"Total fund balances" of the Fire District's governmental funds (\$157,008) differs from "net assets" of governmental activities (\$274,884) reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. The effect of the differences is illustrated below.

	<b>Balance Sheet/Statement of Net Assets</b>			
	<b>Total Governmental Funds</b>	<b>Long-term Assets/ Liabilities (1)</b>	<b>Reclassifications and Eliminations (2)</b>	<b>Statement Net Assets Totals</b>
<b>Assets</b>				
Cash and investments	\$ 101,420	\$ -	\$ -	\$ 101,420
<b>Accounts receivable:</b>				
Taxes receivable	53,296	-	-	53,296
Other receivables	2,292	-	-	2,292
Internal balances	-	-	-	-
Prepaid expenses	-	-	-	-
Capital assets	-	117,876	-	117,876
<b>Total assets</b>	<u>157,008</u>	<u>117,876</u>	<u>-</u>	<u>274,884</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	36,528	-	-	36,528
Deferred revenues	53,296	(53,296)	-	-
Internal balances	-	-	-	-
Long-term liabilities				
Due within one year	-	29,320	-	29,320
Due in more than one year	-	1,389,457	-	1,389,457
<b>Total liabilities</b>	<u>89,824</u>	<u>1,365,481</u>	<u>-</u>	<u>1,455,305</u>
<b>Fund Balances/Net Assets</b>				
Total fund balances/net assets	67,184	(1,247,605)	-	(1,180,421)
<b>Total liabilities and fund balances/net assets</b>	<u>\$ 157,008</u>	<u>\$ 117,876</u>	<u>\$ -</u>	<u>\$ 274,884</u>

- (1) When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Fire District as a whole.

Cost of capital assets	\$ 1,036,465
Accumulated depreciation	(918,589)
	<u>\$ 117,876</u>

Because the focus of governmental funds is on short term financing, some assets will not be available to pay for current period expenditures. Those assets (for example receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance. Also, some expenditures in the governmental activities do not reflect current period charges.

Adjustment of deferred revenue	<u>\$ 53,296</u>
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Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net assets.

Accrued compensated absences	\$ 293,195
Net pension obligation	1,125,582
	<u>\$ 1,418,777</u>

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE 3. DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES**

The "net change in the fund balances" for governmental funds (-\$255,846) differs from the "change in net assets" for governmental activities (-\$106,942) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

**Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities**

	<u>Total Governmental Funds</u>	<u>Long-term Revenues/ Expenses (1)</u>	<u>Capital- related Items (2)</u>	<u>Long-term Debt Transactions (3)</u>	<u>Statement of Activities Totals</u>
<b>Revenues</b>					
Property taxes	\$ 1,644,879	\$ (66,251)	\$ -	\$ -	\$ 1,578,628
Investment earnings	11	-	-	-	11
Miscellaneous	33,929	-	-	-	33,929
<b>Total revenues</b>	<u>\$ 1,678,819</u>	<u>(66,251)</u>	<u>-</u>	<u>-</u>	<u>1,612,568</u>
<b>Expenditures</b>					
Public safety - fire protection and rescue:					
Personnel services	1,653,549	-	-	(216,150)	1,437,399
Materials and services	384,667	-	-	-	384,667
Capital related items	-	-	1,355	-	1,355
Principal paid on long-term debt	-	-	-	-	-
Interest expense	-	-	-	-	-
<b>Total expenditures</b>	<u>2,038,216</u>	<u>-</u>	<u>1,355</u>	<u>(216,150)</u>	<u>1,823,421</u>
<b>Other financing uses/changes in net assets</b>					
Proceeds from long-term borrowings	-	-	-	-	-
<b>Net change for the year</b>	<u>\$ (359,397)</u>	<u>\$ (66,251)</u>	<u>\$ (1,355)</u>	<u>\$ 216,150</u>	<u>\$ (210,853)</u>

- (1) Reductions in deferred revenues that provide current financial resources to governmental funds are not reported as revenues in the statement of activities. State funded public service corporation tax revenues that are not accrued for in the governmental funds are reported as revenues in the statement of activities.

Deferred revenue property tax	(66,251)
	<u>\$ (66,251)</u>

- (2) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Depreciation Expense	\$ (1,355)
	<u>\$ (1,355)</u>

- (3) Long-term employee benefits that do not require the use current financial resources are not reported as expenditures in the governmental funds but are in the statement of activities.

Accrued compensated absences	\$ 4,894
Net pension obligation	211,256
	<u>\$ 216,150</u>

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2015*

**NOTE 4 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Deposits with Financial Institutions***

State statutes require that the Station's time deposits invested for more than sixty days and in excess of FDIC insurance is one hundred percent collateralized by eligible collateral by the depository institutions holding excess deposits. At the balance sheet date the Station and its financial institutions had complied with the statute.

**NOTE 5 - CASH**

***Deposits***

Deposits are kept at a local bank and are carried at cost. The carrying amount of deposits is separately displayed on the balance sheet as "Cash".

GASB 3 establishes classifications for deposits with financial institutions and investments. Deposit accounts include demand savings and time deposit accounts, NOW accounts and non-negotiable certificates of deposit (CD's) in banks, savings and loan associations, and credit unions.

At June 30, 2015 the carrying amount of the Station's deposits was \$101,420 and the bank balances were aggregated to \$110,268.

The custodial credit risk is the risk that, in the event of failure of a depository financial institution, a government 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. As of June 30 2015, all of the Station's balance of \$110,268 was insured and collateralized by a local bank.

**NOTE 6- PROPERTY TAXES/ACCOUNTS RECEIVABLE**

Property taxes attach as an enforceable lien on property as of November 1. Taxes are levied on July 1 and are due and payable on August 15 of the same year. The Station bills and collects its own property taxes.

The statutes of the State of Rhode Island prescribe a legal limit to the property tax rate at 5 mills per dollar of assessed valuation. For the year ended June 30, 2015, the Station had a tax rate of 2.80 per thousand of the assessed valuation.

Property taxes receivable as of June 30, 2015, are composed of the following:

General Fund	<u>\$ 53,296</u>
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**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2015*

**NOTE 7 – DEFERRED INFLOW OF RESOURCES**

General fund has unearned tax revenue that is measurable but not available. These funds amount to \$53,296 at June 30, 2015.

**NOTE 8 – CAPITAL ASSETS**

A summary of capital assets as of June 30, 2015:

	<b><u>General Fund</u></b>	<b><u>Total</u></b>
Land	\$ 111,100	\$ 111,100
Buildings	214,900	214,900
Fire protection and rescue equipment	681,073	681,073
Vehicles	<u>29,392</u>	<u>29,392</u>
Less: Accumulated depreciation	<u>918,589</u>	<u>918,589</u>
Net capital assets	<u>\$ 117,876</u>	<u>\$ 117,876</u>

**NOTE 9 – SCHEDULE OF LONG TERM DEBT**

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**Schedule of Long-Term Debt**  
**For the Fourteen Months Ended June 30, 2015**

	<b><u>Outstanding 5/1/2014</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Outstanding 6/30/2015</u></b>
Accrued compensated absences	\$ 288,301	4,894	-	293,195
Net pension obligation	1,336,838	-	211,256	1,125,582
<b>Total general long-term debt payable</b>	<u>\$ 1,625,139</u>	<u>\$ 4,894</u>	<u>\$ 211,256</u>	<u>\$ 1,418,777</u>

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2015*

**NOTE 10 - PENSION COSTS**

The Station has pension plans through participation in the Municipal Employee Retirement System (MERS) which is part of the total Employees Retirement System of Rhode Island, or (ERSRI).

***General Information about the Pension Plan***

***Plan Description*** - The Municipal Employees' Retirement System (MERS) – an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at [www.ersri.org](http://www.ersri.org)

***Benefits provided*** – For general employees prior to June 30, 2012 the plan provided retirement benefits equal to 2% of a member's final average salary multiplied by the number of years of total service up to a maximum of 75%. Such benefits are available to members at least age 58 with 10 years of service or after 30 years of service at any age. Benefits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act until it is exceeded by the member's full years of service credit, including service after June 30, 2012, multiplied by the average of five consecutive years of compensation. Effective July 1, 2012 the retirement age will mirror the Social Security Normal Retirement Age not to exceed age 67. Members will receive a benefit accrual of 1.0% per year based on the five-year average compensation.

Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62).

Prior to June 30, 2012 police and fire personnel may retire at age 55 if they have 10 years of service or after 25 years of service at any age. An option may be elected to provide a 20 year service pension with a benefit equal to 2.5% for each year of service up to a maximum of 75% for police and fire personnel. Benefits are based on the average of the highest three consecutive years' earnings, exclusive of overtime.



**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2015*

**NOTE 10 - PENSION COSTS (Continued):**

The new retirement age will be 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters, that are at least 45 years old, have 10 or more years of contributing service and are eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52.

As of June 30, 2012 members will continue to have a frozen benefit accrual of 2.0% per year for a standard 25 year with any age and out plan; 2.5% for a standard 20 year with any age and out plan. Effective July 1, 2012 the optional 20 and 25 year with retirement at any age plans have been eliminated. The benefit accrual for all plans will be 2.0% per year based on the five-year average compensation, exclusive of overtime. Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit will be calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act.

The plan also provides survivor's benefits; and certain lump sum death benefits.

Plan members are vested after five years of service.

An optional cost-of-living provision may be elected for police and fire personnel and general employees. The Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80% funded eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. For police and fire units, COLA will be delayed until the later of age 55 or three years after retirement. For general employee units, COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement.

***Employees covered by benefit terms***

At the June 30, 2013 valuation date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	7
Inactive, nonretired members	1
Active members	13
<b>Total</b>	<b>21</b>

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2015*

**NOTE 10 - PENSION COSTS (Continued):**

**Contributions** - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees are required to contribute 1% of their salaries. Public safety employees are required to contribute 7% of their salaries. The Cumberland Fire District contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Cumberland Fire District contributed \$176,642 in the year ended June 30, 2015 which was 100% of annual covered payroll.

**Net Pension Liability** - The total pension liability was determined by actuarial valuations performed as of June 30, 2013 and rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2014 measurement date (June 30, 2013 valuation rolled forward to June 30, 2014)	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	21 years at June 30, 2014
Actuarial Assumptions	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police & Fire Employees - 4.00% to 14.00%
Inflation	2.75%
Mortality	Male Employees, MERS General and MERS P&F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.  Female Employees, MERS General and MERS P&F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
Cost of Living Adjustments	COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the latter of Social Security eligibility age or 3 years after retirement except for MERS Police and Fire for which the COLA is delayed until the later of age 55 or 3 years after retirement.  A 2% COLA is assumed after January 1, 2014.

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2015*

**NOTE 10 - PENSION COSTS (Continued):**

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

Asset Class	Target allocation	Medium-term expected real rate of return
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge funds	8%	4.75%
Absolute return hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	100%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

**Discount rate** - The discount rate used to measure the total pension liability of the plans was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2015*

**NOTE 10 - PENSION COSTS (Continued):**

Changes in the Net Pension Liability (Asset)			
From GRS employer specific valuation	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2013	4,628,458	3,291,620	1,336,838
Changes for the Year	-	-	-
Service cost	130,272		130,272
Interest on the total pension liability	342,948		342,948
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	(36,180)		(36,180)
Employer contributions	-	103,330	103,330
Employee contributions	-	55,515	55,515
Net investment income	-	492,534	492,534
Benefit payments, including employee refunds	(241,902)	(241,902)	-
Administrative expense	-	(3,084)	(3,084)
Other changes	-	1	1
Net changes	195,138	406,394	(211,256)
Balances as of June 30, 2014	4,823,596	3,698,014	1,125,582

***Sensitivity of the Net Pension Liability*** - to changes in the discount rate. The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$1,633,038	\$1,125,582	\$618,125

***Pension plan fiduciary net position*** - detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2015*

**NOTE 10 - PENSION COSTS (continued):**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2015 the employer recognized pension expense of \$176,642. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference in experience	\$ -	\$ -
Differences in assumptions	-	4,071
Excess(deficit) Investment Returns	-	49,779
Total	\$ -	\$ 53,850

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Net Deferred Outflows of Resources</b>
2016	\$ (53,850)
2017	\$ (53,850)
2018	\$ (53,850)
2019	\$ (53,850)
2020	\$ (4,071)
Thereafter	\$ (11,754)
Total	\$ (231,223)

**NOTE 11 - RISK MANAGEMENT**

The Station 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 natural disaster. The Station is insured for public liability, workers compensation, professional liability, errors and omissions, accident, property damage, fiduciary and excess liability with commercial insurance carriers.

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*June 30, 2015*

**NOTE 12 – POST-EMPLOYMENT HEALTHCARE BENEFITS**

The Station does not provide for any other post-employment health benefits.

**NOTE 13 - COMPENSATED ABSENCES**

As of June 30, 2015, the liability for accrued sick leave was approximately \$293,195.

**NOTE 14 - INCOME TAXES**

The Station is chartered by the State legislature as a Special Station (governmental) corporation and, accordingly, is not subject to federal and state income taxes.

**NOTE 15 – SUBSEQUENT EVENTS**

The Station's management has evaluated subsequent events through December 1, 2015, the date the financial statements were available to be issued. Effective July 1, 2015, the Town of Cumberland has reorganized their Fire District. The Cumberland Hill Fire District, Station 4 will operate within a city wide Fire District.

**CUMBERLAND FIRE DISTRICT, STATION 2**  
**Statement of Revenues and Expenditures**  
**General Fund**  
**Budget and Actual**  
**For the Fourteen Months Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
General Revenues			
Property taxes	\$ -	\$ 1,625,339	\$ 1,625,339
Interest on taxes	-	19,540	19,540
Interest earned	-	11	11
Miscellaneous income	-	33,929	33,929
<b>Total revenue</b>	<u>-</u>	<u>1,678,819</u>	<u>1,678,819</u>
<b>Expenditures</b>			
Fire and rescue expenses:			
Personnel services	1,365,200	1,653,549	(288,349)
Materials and services			
Equipment and supplies	22,000	19,216	2,784
Maintenance and repairs	62,098	57,864	4,234
Operations	42,750	66,409	(23,659)
Clothing	13,000	13,000	-
Training	8,500	6,745	1,755
Insurance	71,000	52,567	18,433
Utilities and services	67,500	168,866	(101,366)
Depreciation	-	-	-
<b>Total expenditures</b>	<u>1,652,048</u>	<u>2,038,216</u>	<u>(386,168)</u>
<b>Excess of revenues over (under) expenditures before other financing sources (uses)</b>	<u>(1,652,048)</u>	<u>(359,397)</u>	<u>1,292,651</u>
<b>Excess of revenue over (under) expenditures and other financing sources - Budget basis</b>	<u>\$ (1,652,048)</u>	<u>(359,397)</u>	<u>\$ 1,292,651</u>
<b>Add:</b>			
Reservations not considered expenses for GAAP purposes		-	
<b>Excess of revenue over (under) expenditures and other financing sources - GAAP basis</b>		<u>\$ (359,397)</u>	

**CUMBERLAND FIRE DISTRICT, STATION 2  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS CURRENT YEAR  
FISCAL YEAR ENDED JUNE 30, 2014**

Measurement period ending June 30,	<u>2014</u>
<b>Total Pension Liability</b>	
Service Cost	\$ 130,272
Interest on the Total Pension Liability	342,948
Benefit Changes	-
Difference Between Expected and Actual Experience	-
Assumption Changes	(36,180)
Benefit Payments	(241,902)
<b>Net Change in Total Pension Liability</b>	<u>195,138</u>
<b>Total Pension Liability - Beginning</b>	<u>4,628,458</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 4,823,596</u></u>
<b>Plan Fiduciary Net Position</b>	
Employer Contributions	\$ 103,330
Employee Contributions	55,515
Pension Plan Net Investment income	492,534
Benefit Payments	(241,902)
Pension Plan Administrative Expense	(3,084)
Other Changes in Plan Fiduciary Net Position	1
<b>Net Change in Plan Fiduciary Net Position</b>	<u>406,394</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>3,291,620</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 3,698,014</u></u>
<b>Net Pension Liability/(Asset) - Ending (a) - (b)</b>	<u>1,125,582</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	76.67%
<b>Covered Employee Payroll</b>	\$ 704,935
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	159.67%



**CUMBERLAND FIRE DISTRICT,  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**SCHEDULE OF CONTRIBUTIONS MULTIYEAR  
Last 10 Fiscal Years**

<b>FY Ending June 30,</b>	<b>Actuarially Determined Contribution as a Percent of Covered Payroll</b>	<b>Actual Contributed by Participating Employers</b>	<b>Total Employer Contribution for the Prior Fiscal Year</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>	<b>(f)</b>
2015	14.85%	14.85%	\$ 105,044	-	\$ 707,091

**CUMBERLAND FIRE DISTRICT, STATION 2  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS MULTIYEAR  
Last 10 Fiscal Years (to be built prospectively)**

Measurement period ending June 30,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Total Pension Liability</b>										
Service Cost	\$ 130,272									
Interest on the Total Pension Liability	342,948									
Benefit Changes	-									
Difference Between Expected and Actual Experience	-									
Assumption Changes	(36,180)									
Benefit Payments	(241,902)									
<b>Net Change in Total Pension Liability</b>	<b>195,138</b>									
<b>Total Pension Liability - Beginning</b>	<b>4,628,458</b>									
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 4,823,596</b>									
<b>Plan Fiduciary Net Position</b>										
Employer Contributions	\$ 103,330									
Employee Contributions	55,515									
Pension Plan Net Investment income	492,534									
Benefit Payments	(241,902)									
Pension Plan Administrative Expense	(3,084)									
Other Changes in Plan Fiduciary Net Position	1									
<b>Net Change in Plan Fiduciary Net Position</b>	<b>406,394</b>									
<b>Plan Fiduciary Net Position - Beginning</b>	<b>3,291,620</b>									
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 3,698,014</b>									
<b>Net Pension Liability/(Asset) - Ending (a) - (b)</b>	<b>1,125,582</b>									
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>76.67%</b>									
<b>Covered Employee Payroll</b>	<b>\$ 704,935</b>									
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>159.67%</b>									

Parmelee Poirier &amp; Associates, LLP

Certified Public Accountants

**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***

To the Honorable Board of Fire Commissioners  
Cumberland, 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 of the Cumberland Fire District, Station 2 (Station), as of and for the fourteen months ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements and have issued our report thereon dated December 1, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Station'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 Station's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control. Accordingly, we do not express an opinion on the effectiveness of the Station'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 Station'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 over was for the limited purpose described in 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 Station'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 communication is not suitable for any other purpose.



Parmelee, Poirier & Associates, LLP  
December 1, 2015

**CUMBERLAND FIRE DISTRICT, STATION 2**

*Schedule of Findings and Responses  
For The Fiscal Year Ended June 30, 2015*

**FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO  
BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**A. Findings**

None Reported.

**Parmelee Poirier & Associates, LLP****Certified Public Accountants**

December 1, 2015

To the Honorable Board of Fire Commissioners  
Cumberland Fire District, Station 2  
1530 Mendon Road  
Cumberland, RI 02864

Dear Sirs,

In planning and performing our audit of the financial statements of the Cumberland Fire District, Station 2 as of and for the fourteen months ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Cumberland Fire District, Station 2 internal control over financial reporting (internal control) as a basis for designing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We communicated these deficiencies in a report dated December 1, 2015.

Matters that should be addressed that are not considered material weaknesses or a deficiency are the procedures in regard to the calculation of the overtime rates.

Management failed to include the longevity bonus compensation when computing an overtime rate for employees. Overtime compensation must be based upon the regular rate of pay. However the regular rate of pay must include all payments for employment paid to or on behalf of a non-exempt employee. Therefore, the overtime rate must be computed using all types of

compensation, including but not limited, bonuses, shift-differentials, retroactive pay increases, good attendance of longevity payments.

The current fiscal management recognized this omission and effective July 1, 2105 longevity bonus and any other applicable forms of compensation have been included in the overtime rate.

This communication is intended solely for the information and use of management, The Board of Commissioners, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Parmelee, Poirier & Associates, LLP

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***CUMBERLAND FIRE DISTRICT,  
STATION 2***

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***Communication with Those Charged  
With Governance as Required by  
Auditing Standards***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015***

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***Parmelee, Poirier & Associates LLP***



### **Parmelee Poirier & Associates, LLP**

Certified Public Accountants

December 1, 2015

Honorable Board of Fire Commissioners  
Cumberland Fire District, Station 2  
1530 Mendon Road  
Cumberland, RI 02864

Dear Sirs:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cumberland Fire District, Station 2 (the Station) as of and for the fourteen months ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to our planned scope and timing of our audit. We have communicated such information in our letter to you date July 13, 2015. Professional standards also require that we communicate to you the following information related to our audit.

#### **Significant Audit Findings**

##### *Qualitative Aspects of Accounting Practice*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Cumberland Fire District, Station 2 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fourteen months ended June 30, 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates affecting the financial statements, except for management's estimate related to capital assets and the corresponding accumulated depreciation from previous years.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no significant disclosures affecting the financial statements.

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

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. These entries were related to the adjustment of the beginning balances and the recording of year end accruals and depreciation expense.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 1, 2015.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

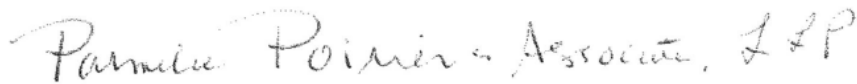
### **Other Matters**

We applied certain limited procedures to the required supplementary reports as outlined in the financial statement's table of content; these reports are required supplementary information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

### **Restriction on Use**

This information is intended solely for the use of the Board of Commissioners and management of Cumberland Fire District, Station 2, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Parmelee Poirier & Associates, LLP".

Parmelee, Poirier & Associates, LLP  
December 1, 2015