



Fiscal Year 2014-15 Audit Package

PART 2

December 8, 2015

April 6, 2016

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PART 2

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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

***CUMBERLAND HILL FIRE
DISTRICT***

AUDITED FINANCIAL STATEMENTS

***FOR THE EIGHT MONTHS ENDED
JUNE 30, 2015***

***Thomas Bruce
Finance Department***

***Bruce Lemois
Chairman***

Prepared by: Finance Department

PARMELEE POIRIER & ASSOCIATES, LLP

CUMBERLAND HILL FIRE DISTRICT
Annual Financial Report
For the Eight Months Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Fire Commissioners
Cumberland Hill Fire District, Station 4
Cumberland, Rhode Island

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Cumberland Hill Fire District, Station 4 (the Station) as of and for the eight 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 Hill Fire District, Station 4 and the respective changes in financial position thereof, for the eight 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.

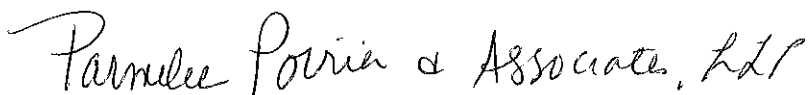
Accounting principles generally accepted in the United States of America require that certain information on pages 26 through 29 be presented to supplement the basic financial statements. Although not a part of the financial statements is required by the Governmental Accounting Standards Board, who considers 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 financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 Hill Fire District, Station 4. 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 Hill Fire District, Station 4 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 4 internal control over financial reporting and compliance.


Parmelee, Poirier & Associates, LLP
December 1, 2015

CUMBERLAND HILL FIRE DISTRICT, STATION 4
Statement of Net Assets
June 30, 2015

ASSETS

Cash and investments	\$ 506,045
Taxes receivable	42,608
Other receivables	818
Capital assets, net of accumulated depreciation, where applicable	<u>173,060</u>
TOTAL ASSETS	<u>722,531</u>

LIABILITIES

Accounts payable	141,390
Long-term liabilities:	
Portion due within one year	28,536
Portion due after one year	<u>2,109,203</u>
TOTAL LIABILITIES	<u>2,279,129</u>

NET ASSETS

Invested in capital assets, net of related debt	173,060
Unrestricted	<u>(1,729,658)</u>
TOTAL NET ASSETS	<u><u>\$ (1,556,598)</u></u>

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

CUMBERLAND HILL FIRE DISTRICT, STATION 4
Statement of Activities
For the Eight Months Ended June 30, 2015

Functions/Programs	Program revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary government				
Personnel services	\$ 1,055,282	\$ -	\$ -	\$ (1,055,282)
Materials and services	276,772	-	-	(276,772)
Capital related items	184,377	-	-	(184,377)
Interest expense	-	-	-	-
Total governmental activities	\$ 1,516,431	\$ -	\$ -	(1,516,431)
General revenues:				
Property taxes				1,440,715
Investment earnings				1,013
Miscellaneous				17,320
Total general revenues				1,459,048
Non-operating revenues:				
Gain on sale of assets				18,000
Increase in net assets				(39,383)
Net assets - beginning of the year				(1,517,215)
Net assets - end of the year				\$ (1,556,598)

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

CUMBERLAND HILL FIRE DISTRICT, STATION 4
Balance Sheet
Governmental Funds
June 30, 2015

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 506,045	\$ -	\$ 506,045
Taxes receivable	42,608	-	42,608
Other receivables	818	-	818
Prepaid expenses	-	-	-
Internal balances	155,000	-	155,000
TOTAL ASSETS	<u>\$ 704,471</u>	<u>\$ -</u>	<u>\$ 704,471</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 141,390	\$ -	\$ 141,390
Deferred revenue - property tax	42,607	-	42,607
Internal balances	155,000	-	155,000
TOTAL LIABILITIES	<u>338,997</u>	<u>-</u>	<u>338,997</u>
FUND BALANCES			
Unassigned	365,474	-	365,474
TOTAL FUND BALANCES	<u>365,474</u>	<u>-</u>	<u>365,474</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 704,471</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)	173,060
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (see note 2)	42,607
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (see note 2)	(2,137,739)
Net assets of governmental activities	<u>\$ (1,556,598)</u>

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

CUMBERLAND HILL FIRE DISTRICT, STATION 4
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Eight Months Ended June 30, 2015

	<u>Fund</u>	<u>Totals</u>
Revenues:		
Property taxes	\$ 1,568,879	\$ 1,568,879
Investment earnings	1,013	1,013
Miscellaneous	17,320	17,320
Total general revenues	<u>1,587,212</u>	<u>1,587,212</u>
Expenses:		
Public safety - fire protection and rescue		
Personnel services	1,181,764	1,181,764
Materials and services	276,772	276,772
Capital related items	-	-
Principal paid on long-term debt	-	-
Interest	-	-
Total expenses	<u>1,458,536</u>	<u>1,458,536</u>
Excess of revenues over (under) expenditures		
before other financing sources (uses)	<u>128,676</u>	<u>128,676</u>
Other financing sources (uses)		
Gain on sale of asset	18,000	18,000
Total other financing sources (uses)	<u>18,000</u>	<u>18,000</u>
Net change in fund balances	146,676	146,676
Total fund balances - beginning of the year	<u>218,798</u>	<u>218,798</u>
Total fund balances - end of the year	<u>\$ 365,474</u>	<u>\$ 365,474</u>

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

CUMBERLAND HILL FIRE DISTRICT, STATION 4
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Eight Months Ended June 30, 2015

Net change in fund balances-total governmental funds	\$ 146,676
Amounts reported for governmental activities in the statement of	
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 \$184,377 exceeded capital asset additions of \$-0- for the current period.	(184,377)
Reductions in deferred revenue that provide current financial resources to governmental funds are not reported as revenues in the statement of activities.	(128,164)
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>161,039</u>
Change in net assets of governmental activities.	<u>\$ (39,383)</u>

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

CUMBERLAND HILL FIRE DISTRICT, STATION 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the Cumberland Hill 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 Hill 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 HILL FIRE DISTRICT, STATION 4
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 HILL FIRE DISTRICT, STATION 4
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.

CUMBERLAND HILL FIRE DISTRICT, STATION 4
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.

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 HILL FIRE DISTRICT, STATION 4
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 1st 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 HILL FIRE DISTRICT, STATION 4
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

CUMBERLAND HILL FIRE DISTRICT, STATION 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

R. Fund Financial Statements (Continued)

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.

CUMBERLAND HILL FIRE DISTRICT, STATION 4
NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHT MONTHS ENDED 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 (\$549,471) differs from "net assets" of governmental activities (\$722,531) 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.

	Total Governmental Funds	Long-term Assets/ Liabilities (1)	Reclassifications and Eliminations (2)	Statement Net Assets Totals
Assets				
Cash and investments	\$ 506,045	\$ -	\$ -	\$ 506,045
Accounts receivable:				
Taxes receivable	42,608	-	-	42,608
Other receivables	818	-	-	818
Internal balances	155,000	-	(155,000)	-
Prepaid expenses	-	-	-	-
Capital assets	-	173,060	-	173,060
Total assets	<u>704,471</u>	<u>173,060</u>	<u>(155,000)</u>	<u>722,531</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	141,390	-	-	141,390
Deferred revenues	42,607	(42,607)	-	-
Internal balances	155,000	-	(155,000)	-
Long-term liabilities				
Due within one year	-	28,536	-	28,536
Due in more than one year	-	2,109,203	-	2,109,203
Total liabilities	<u>338,997</u>	<u>2,095,132</u>	<u>(155,000)</u>	<u>2,279,129</u>
Fund Balances/Net Assets				
Total fund balances/net assets	365,474	(1,922,072)	-	(1,556,598)
Total liabilities and fund balances/net assets	<u>\$ 704,471</u>	<u>\$ 173,060</u>	<u>\$ (155,000)</u>	<u>\$ 722,531</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	\$ 1,646,379
Accumulated depreciation	(1,473,319)
	<u>\$ 173,060</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>\$ 42,607</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	\$ 285,362
Net pension obligation	1,852,377
	<u>\$ 2,137,739</u>

CUMBERLAND HILL FIRE DISTRICT, STATION 4
NOTES TO THE FINANCIAL STATEMENTS
FOR THE EIGHT MONTHS ENDED 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 (\$236,338) differs from the "change in net assets" for governmental activities (-\$110,760) 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.

	<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>
Revenues					
Property taxes	\$ 1,568,879	\$ (128,164)	-	-	\$ 1,440,715
Investment earnings	1,013	-	-	-	1,013
Miscellaneous	17,320	-	-	-	17,320
Total revenues	<u>\$ 1,587,212</u>	<u>(128,164)</u>	<u>-</u>	<u>-</u>	<u>1,459,048</u>
Expenditures					
Public safety - fire protection and rescue:					
Personnel services	1,181,764	-	-	(126,482)	1,055,282
Materials and services	276,772	-	-	-	276,772
Capital related items	-	-	184,377	-	184,377
Principal paid on long-term debt	-	-	-	-	-
Interest expense	-	-	-	-	-
Total expenditures	<u>1,458,536</u>	<u>-</u>	<u>184,377</u>	<u>(126,482)</u>	<u>1,516,431</u>
Other financing uses/changes in net assets					
Gain (loss) on sale of fixed assets	18,000	-	-	-	18,000
Net change for the year	<u>\$ 146,676</u>	<u>\$ (128,164)</u>	<u>\$ (184,377)</u>	<u>\$ 126,482</u>	<u>\$ (39,383)</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	\$ (128,164)
	<u>\$ (128,164)</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.

Gross loss on sale of fixed assets	(18,765)
Depreciation Expense	\$ (165,612)
	<u>\$ (184,377)</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	(34,557)
Net pension obligation	161,039
	<u>\$ 126,482</u>

CUMBERLAND HILL FIRE DISTRICT, STATION 4
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 \$506,045 and the bank balances were aggregated to \$558,430.

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 balance of \$150,961 and \$353,992 was insured and collateralized by two local banks, respectively.

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>\$ 42,607</u>
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CUMBERLAND HILL FIRE DISTRICT, STATION 4
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 \$42,607 at June 30, 2015.

NOTE 8 – CAPITAL ASSETS

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

	General Fund	Total
Land	\$ 173,060	\$ 173,060
Buildings and building improvements	391,080	391,080
Equipment	71,704	71,704
Fire protection and rescue equipment	900,697	900,697
Vehicles	<u>109,838</u>	<u>109,838</u>
Less: Accumulated Depreciation	<u>1,143,319</u>	<u>1,473,319</u>
Net capital assets	<u>\$ 173,060</u>	<u>\$ 173,060</u>

NOTE 9 – SCHEDULE OF LONG TERM DEBT

CUMBERLAND HILL FIRE DISTRICT, STATION 4
Schedule of Long-Term Debt
For the Year Eight Months Ended June 30, 2015

	Outstanding 10/31/2014	New Issues	Maturities During Year	Outstanding 6/30/2015
Accrued compensated absences	\$ 250,805	\$ 34,557	\$ -	\$ 285,362
Net pension obligation	2,013,416	-	161,039	1,852,377
Total general long-term debt payable	<u>\$ 2,264,221</u>	<u>\$ 34,557</u>	<u>\$ 161,039</u>	<u>\$ 2,137,739</u>

CUMBERLAND HILL FIRE DISTRICT, STATION 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 - PENSION COSTS

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.

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 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.

CUMBERLAND HILL FIRE DISTRICT, STATION 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 - PENSION COSTS (Continued)

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	11
Inactive, nonretired members	0
Active members	13
Total	24

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 Hill 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 Hill Fire District contributed \$151,278 in the year ended June 30, 2015 which was 100% of annual covered payroll.

CUMBERLAND HILL FIRE DISTRICT, STATION 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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	<ul style="list-style-type: none"> • 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	<p>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.</p> <p>A 2% COLA is assumed after January 1, 2014.</p>

CUMBERLAND HILL FIRE DISTRICT, STATION 4
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 HILL FIRE DISTRICT, STATION 4
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	\$5,704,213	\$3,690,797	\$2,013,416
Changes for the Year			
Service cost	118,487	-	118,487
Interest on the total pension liability	418,644	-	418,644
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	(41,794)	-	(41,794)
Employer contributions	-	74,288	(74,288)
Employee contributions	-	54,774	(54,774)
Net investment income	-	530,637	(530,637)
Benefit payments, including employee refunds	(363,076)	(363,076)	-
Administrative expense	-	(3,323)	3,323
Other changes	-	-	-
Net changes	132,261	293,300	(161,039)
Balances as of June 30, 2014	\$5,836,474	\$3,984,097	\$1,852,377

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%)
\$2,473,693	\$1,852,377	\$1,231,060

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 HILL FIRE DISTRICT, STATION 4
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 Cumberland Hill Fire District recognized pension expense of \$151,278. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in experience	\$ -	\$ -
Differences in assumptions	-	4,557
Excess(deficit) investment returns	-	52,545
Total	\$ -	\$ 57,102

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

Year Ending June 30	Net Deferred Outflows of Resources
2016	\$ (57,102)
2017	(57,102)
2018	(57,102)
2019	(57,104)
2020	(4,557)
Thereafter	(14,452)
Total	\$ 247,419

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 - COMPENSATED ABSENCES

As of June 30, 2015, the liability for accrued sick leave was approximately \$285,362

CUMBERLAND HILL FIRE DISTRICT, STATION 4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13 – POST-EMPLOYMENT HEALTHCARE BENEFITS

The station provides eligible retirees with health and dental benefits.

Plan Description:

The Station provides retiree healthcare benefits based on a single employer defined benefit healthcare plan administered by Rhode Island Blue Cross. Dental health benefits are also provided to retirees and administered by Rhode Island Delta Dental. The plan provides individual health insurance benefits to eight (8) eligible retirees and provides dental benefits to two (2) retirees. None of the eligible retirees have opted for family plan coverage.

Funding Policy:

The plan is funded in the amount of the annual cost requirement and is based on a pay-as-you-go financing basis. For the year ended June 30, 2015 the Station contributed an amount equal to the annual cost of \$99,288 to the plan for current health and dental premiums.

The Station did not pay any amount to prefund benefits during fiscal year 2014-2015. Although in past years' prefund contributions have been made toward a segregated retiree health reserve fund and this reserve fund had a fund balance of approximately \$385,391 on June 30, 2015. The plan members receiving benefits did not contribute any amounts toward the total premiums.

Actuarial Report: The plan has a total of ten (10) members, which is less than the hundred-member minimum, and does not meet the requirement to have an actuarial report prepared every two years. All active employees and future new employees are not eligible to participate in the plan.

Management estimates the net OPEB plan obligation to be \$1,193,593 at June 30, 2015. Management estimates the plan was 34.2% funded as of June 30, 2015

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 HILL FIRE DISTRICT, STATION 4
Statement of Revenues and Expenditures
General Fund
Budget and Actual
For the Eight Months Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
General Revenues			
Property taxes	-	1,558,965	1,558,965
Interest on taxes	-	9,914	9,914
Interest earned	-	1,013	1,013
Miscellaneous income	-	17,320	17,320
Total revenue	<u>-</u>	<u>1,587,212</u>	<u>1,587,212</u>
Expenditures			
Fire and rescue expenses:			
Personnel services	1,194,247	1,181,764	12,483
Materials and services			
Equipment and supplies	28,400	25,878	2,522
Maintenance and repairs	22,500	29,577	(7,077)
Operations	21,760	104,067	(82,307)
Clothing	9,800	10,194	(394)
Training	3,500	3,490	10
Insurance	62,733	82,420	(19,687)
Utilities & services	17,750	21,146	(3,396)
Depreciation	-		
Total expenditures	<u>1,360,690</u>	<u>1,458,536</u>	<u>(97,846)</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>(1,360,690)</u>	<u>128,676</u>	<u>1,489,366</u>
Other financing sources (uses)			
Gain on sale of asset	-	18,000	18,000
Total other financing sources (uses)	<u>-</u>	<u>18,000</u>	<u>18,000</u>
Excess of revenue over (under) expenditures and other financing sources - Budget basis	<u>\$ (1,360,690)</u>	<u>146,676</u>	<u>\$ 1,507,366</u>
Add:			
Reservations not considered expenses for GAAP purposes		-	
Excess of revenue over (under) expenditures and other financing sources - GAAP basis		<u>\$ 146,676</u>	

**CUMBERLAND HILL FIRE DISTRICT, STATION 4
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>
Total Pension Liability	
Service Cost	\$ 118,847
Interest on the Total Pension Liability	418,644
Benefit Changes	-
Difference Between Expected and Actual Experience	-
Assumption Changes	(41,794)
Benefit Payments	(363,076)
Net Change in Total Pension Liability	<u>132,621</u>
Total Pension Liability - Beginning	<u>5,704,213</u>
Total Pension Liability - Ending (a)	<u><u>\$ 5,836,834</u></u>
Plan Fiduciary Net Position	
Employer Contributions	\$ 74,288
Employee Contributions	54,774
Pension Plan Net Investment income	530,637
Benefit Payments	(363,076)
Pension Plan Administrative Expense	(3,323)
Other Changes in Plan Fiduciary Net Position	-
Net Change in Plan Fiduciary Net Position	<u>293,300</u>
Plan Fiduciary Net Position - Beginning	<u>3,690,797</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 3,984,097</u></u>
Net Pension Liability/(Asset) - Ending (a) - (b)	<u>1,852,737</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	68.26%
Covered Employee Payroll	\$ 721,162
Net Pension Liability as a Percentage of Covered Employee Payroll	256.91%

CUMBERLAND HILL FIRE DISTRICT, STATION 4
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE OF CONTRIBUTIONS MULTIYEAR
Last 10 Fiscal Years

FY Ending June 30,	Actuarially Determined Contribution as a Percent of Covered Payroll	Actual Contributed by Participating Employers	Total Employer Contribution for the Prior Fiscal Year	Contribution Deficiency (Excess)	Covered Payroll
(a)	(b)	(c)	(d)	(e)	(f)
2015	10.30%	10.30%	\$ 74,288	-	\$ 721,162

**CUMBERLAND HILL FIRE DISTRICT, STATION 4
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
Total Pension Liability										
Service Cost	\$ 118,487									
Interest on the Total Pension Liability	418,644									
Benefit Changes	-									
Difference Between Expected and Actual Experience	-									
Assumption Changes	(41,794)									
Benefit Payments	(363,076)									
Net Change in Total Pension Liability	132,261									
Total Pension Liability - Beginning	5,704,213									
Total Pension Liability - Ending (a)	\$ 5,836,474									
Plan Fiduciary Net Position										
Employer Contributions	\$ 74,288									
Employee Contributions	54,774									
Pension Plan Net Investment income	530,637									
Benefit Payments	(363,076)									
Pension Plan Administrative Expense	(3,323)									
Other Changes in Plan Fiduciary Net Position	-									
Net Change in Plan Fiduciary Net Position	293,300									
Plan Fiduciary Net Position - Beginning	3,690,797									
Plan Fiduciary Net Position - Ending (b)	\$ 3,984,097									
Net Pension Liability/(Asset) - Ending (a) - (b)	1,852,377									
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	68.26%									
Covered Employee Payroll	\$ 721,162									
Net Pension Liability as a Percentage of Covered Employee Payroll	256.86%									

**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 Hill Fire District, Station 4 (Station), as of and for the eight 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.

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 responses, 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 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items **2015-001** through **2015-002** to be material weaknesses

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 no significant deficiencies that are required to be reported under *Government Auditing Standards*.

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*.

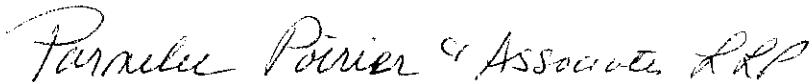
We noted certain other matters that we reported to management of the Station in a separate letter dated December 1, 2015.

Cumberland Hill Fire District, Station 4, 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

CUMBERLAND HILL FIRE DISTRICT, STATION 4
FINDINGS AND RESPONSES
June 30, 2015

We consider the following deficiencies in to be material weaknesses in the internal control

2015-001 TIMELY DEPOSITS AND SUPPORT FOR CASH RECEIPTS

We identified material weakness during the testing of cash receipts. Four deposits were not deposited to the bank within three business dates of receipts. The staff was not able to locate four the supporting documentation for four deposits. In addition, three deposit packages were missing the batch sign off sheet, which is documentation that the batch has been verified by the treasurer. Two of the sign off sheets were not signed by the treasurer.

RECOMMENDATION:

It is our recommendation that deposits are prepared and posted to the bank on a daily basis. The deposit must be consistently verified and approved by the Treasurer. If the Treasurer is absence, then their designee or the Finance Director should verify and approve the deposit. The proper maintenance of documentation is critical to an organization, since these documents provide proof of business activity. Maintenance includes the ability to retrieve documentation when needed.

These procedures and policies will ensure that cash is safeguarded from theft, loss or manipulation. Segregation of duties is critical to effective internal control; it reduces the risk of both erroneous and inappropriate actions. In general, the approval function, the accounting/reconciling function, and the asset custody function should be separated among employees. The verification and approval function is critical to the internal control and acts as a deterrent to fraud because it requires collusion with another person to perpetrate a fraudulent act.

MANAGEMENT RESPONSE:

Management agrees with this comment. All deposit activity of the town-wide district is completed by the Business Manager and system payment processing is now completed by the District Bookkeeper/Assistant Business Manager. Starting July 1, 2015, procedures were established and new job specifications were adopted to ensure compliance with proper practices related to segregation of duties. Bank deposits are now made at least two times per week at intervals of at least every three business days, such as Tuesdays and Fridays. Also, all OPAL system batch records and bank deposit records are now organized and filed in a standard packet consisting of the same set of records. Batch and bank records are filed and stored under the custody of the District bookkeeper.

2015-002 FINDING APPROVAL OF EXPENDITURES

During our testing, it was noted that one invoice was missing support documentation and nine invoices were missing management approval yet they were processed for payment.

CUMBERLAND HILL FIRE DISTRICT, STATION 4
FINDINGS AND RESPONSES
June 30, 2015

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. The proper maintenance of documentation is critical to an organization, since these documents provide proof of business activity. Maintenance includes the ability to retrieve documentation when needed.

MANAGEMENT RESPONSE:

Management agrees with this comment. At the start of the current 2015-2016 fiscal year, the Finance Department implemented new documented procedures for account payable and vendor payment processing. These procedural changes occurred simultaneously with the recent district consolidation, reorganization and staff adherence of newly adopted position specifications.

Included in these new procedures is the requirement that all invoices to be approved by either the Business Manager for administrative type invoices or the Fire Chief for operations related invoices. Signed approval written on the actual invoice must be provided in order for payment processing to be initiated. Staff members with accounts payable related duties have complied without exception with this procedure since becoming effective July 1, 2015.

December 1, 2015

To the Board of Commissioners
Cumberland Hill Fire District, Station 4
1530 Mendon Road
Cumberland, RI 02864

In planning and performing our audit of the financial statements of the Cumberland Hill Fire District, Station 4 as of and for the eight months ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Cumberland Hill Fire District, Station 4 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 accounting of old, outstanding checks, and the preparation of the Organization's internal budget.

Currently, the organization has written off old, outstanding checks, after attempts to contact the owners of the funds were unsuccessful. The State of Rhode Island law §33-21.1-17 *Report of Abandoned Property* requires that government and non-government agencies review their books and records each year to determine if any accounts might be considered dormant and therefore unclaimed. Unclaimed property of money and other assets are considered lost or abandoned after an owner cannot be located for a specific period of time. It includes bank accounts, wages, refunds, gift certificates, credit memos, account receivable credits and payables. Most property is turned over to the Treasury if it has been inactive for three years. However, wages may become unclaimed after one year. November 1, 2015 was the deadline for filing annual unclaimed

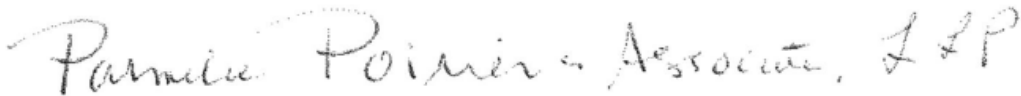
property reports with the Rhode Island Treasury. The Unclaimed Property report can be found on the Rhode Island Secretary of State's website.

It is our recommendation that the Organization cease its procedure of writing off old, outstanding checks and if applicable, remit any unclaimed property to the State of Rhode Island.

Currently, the budget has been prepared for expenses 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.

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,

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

Parmelee, Poirier & Associates, LLP
December 1, 2015

***CUMBERLAND HILL FIRE
DISTRICT, STATION 4***

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

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

Parmelee, Poirier & Associates LLP

Parmelee Poirier & Associates, LLP

Certified Public Accountants

December 1, 2015

Board of Commissioners
Cumberland Hill Fire District, Station 4
3502 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 Hill Fire District, Station 4 (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 Cumberland Hill Fire District, Station 4 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 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 November 4, 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

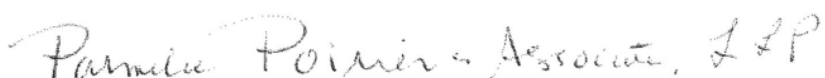
We applied certain limited procedures to the required supplementary reports as outlined in the financial statement's table of content; these reports are required supplementary information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the 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.

We were engaged to report on certain additional schedules, as noted in the financial statements on the table of contents, which accompany the financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Commissioners and management of Cumberland Hill Fire District, Station 4, 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

***NORTH CUMBERLAND FIRE
DISTRICT, STATION 5***

AUDITED FINANCIAL STATEMENTS

June 30, 2015

***Thomas Bruce
Finance Director***

***Bruce Lemois
Chairman***

Parmelee, Poirier & Associates, LLP

NORTH CUMBERLAND FIRE DISTRICT
Annual Financial Report
For the Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Fire Commissioners
North Cumberland Fire District, Station 5
Cumberland, Rhode Island

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities of the North Cumberland Fire District, Station 5 (the Station) as of and for the 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 North Cumberland Fire District, Station 5 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 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 financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 North Cumberland Fire District, Station 5. 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 North Cumberland Fire District Station 5'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 North Cumberland Fire District, Station 5's internal control over financial reporting and compliance.

Parmelee Poirier & Associates, LLP

Parmelee, Poirier & Associates, LLP
December 1, 2015

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
Statement of Net Assets
June 30, 2015

ASSETS

Cash and investments	\$ 569,351
Taxes receivable	135,817
Capital assets, net of accumulated depreciation	197,243
TOTAL ASSETS	<u>902,411</u>

LIABILITIES

Accounts payable & accrued expenses	155,176
Long-term liabilities:	
Portion due within one year	52,638
Portion due after one year	1,118,168
TOTAL LIABILITIES	<u>1,325,982</u>

NET ASSETS

Invested in capital assets, net of related debt	45,015
Unrestricted	(468,586)
TOTAL NET ASSETS	<u>\$ (423,571)</u>

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

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
Statement of Activities
For the Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Net (Expense) Revenue and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Changes in Net Assets</u>
		<u>Services</u>	<u>Grants and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Activities</u>
Primary government				
Public safety - fire protection and rescue:				\$ (1,229,815)
Personnel services	\$ 1,229,815	\$ -	\$ -	(397,382)
Materials and services	397,382	-	-	(62,032)
Capital related items	62,032	-	-	(9,112)
Interest expense	9,112	-	-	(30,000)
Legal settlement	30,000			(1,728,341)
Total governmental activities	\$ 1,728,341	\$ -	\$ -	
General revenues:				
Property taxes				1,457,749
Investment earnings				5,524
Miscellaneous				68,512
Total general revenues				1,531,785
Increase in net assets				(196,556)
Net assets - beginning of the year				(227,015)
Net assets - end of the year				\$ (423,571)

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

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
Balance Sheet
Governmental Funds
June 30, 2015

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 569,351	\$ -	\$ 569,351
Taxes receivable	135,817	-	135,817
Internal balances	-	-	-
TOTAL ASSETS	<u>\$ 705,168</u>	<u>\$ -</u>	<u>\$ 705,168</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 154,580	\$ -	\$ 154,580
Deferred revenue - property tax	135,817	-	135,817
Internal balances	-	-	-
TOTAL LIABILITIES	<u>290,397</u>	<u>-</u>	<u>290,397</u>
FUND BALANCES			
Assigned to:			
Fire Protection	46,596	-	46,596
Unassigned	368,175	-	368,175
TOTAL FUND BALANCES	<u>414,771</u>	<u>-</u>	<u>414,771</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 705,168</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)	197,243
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (see note 2)	135,817
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. (see note 2)	(1,171,402)

Net assets of governmental activities	<u><u>\$ (423,571)</u></u>
--	----------------------------

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

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	<u>General Fund</u>	<u>Totals</u>
Revenues:		
Property taxes	\$ 1,603,464	\$ 1,603,464
Investment earnings	5,524	5,524
Miscellaneous	68,512	68,512
Total general revenues	<u>1,677,500</u>	<u>1,677,500</u>
Expenses:		
Personnel services	1,569,405	1,569,405
Materials and services	397,382	397,382
Capital related items	17,040	17,040
Principal paid on long-term debt	50,305	50,305
Interest	8,516	8,516
Legal settlement	30,000	30,000
Total expenses	<u>2,072,648</u>	<u>2,072,648</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>(395,148)</u>	<u>(395,148)</u>
Total fund balances - beginning of the year	<u>809,919</u>	<u>809,919</u>
Total fund balances - end of the year	<u>\$ 414,771</u>	<u>\$ 414,771</u>

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

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
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 \$ (395,148)

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 \$62,032 exceeded capital asset additions of \$17,040 for the current period. (44,992)

Reductions in deferred revenue that provide current financial resources to governmental funds are not reported as revenues in the statement of activities. (145,715)

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 interest payable	(596)
Changes in accrued compensated absences	(5,838)
Principal payments made	50,305
Changes in net pension obligation	<u>345,428</u>

Change in net assets of governmental activities. \$ (196,556)

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

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the North Cumberland Fire District, Station 5 (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 North Cumberland Fire District Station 5, 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 North Cumberland Fire District Station 5.

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

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
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.

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
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.

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
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.

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, the Station has no reservations of fund balance.

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.

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

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 1st 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.

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.

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

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.
- **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.

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

S. Pensions

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.

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
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 (\$705,168) differs from "net assets" of governmental activities (\$902,411) 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

	Total Governmental Funds	Long-term Assets/ Liabilities (1)	Reclassifications and Eliminations (2)	Statement Net Assets Totals
Assets				
Cash and investments	\$ 569,351	\$ -	\$ -	\$ 569,351
Taxes receivable	135,817	-	-	135,817
Capital assets	-	197,243	-	197,243
Total assets	<u>705,168</u>	<u>197,243</u>	<u>-</u>	<u>902,411</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable & accrued expenses	154,580	596	-	155,176
Deferred revenues	135,817	(135,817)	-	-
Long-term liabilities				
Due within one year	-	52,638	-	52,638
Due in more than one year	-	1,118,168	-	1,118,168
Total liabilities	<u>290,397</u>	<u>1,035,585</u>	<u>-</u>	<u>1,325,982</u>
Fund Balances/Net Assets				
Total fund balances/net assets	414,771	(838,342)	-	(423,571)
Total liabilities and fund balances/net assets	<u>\$ 705,168</u>	<u>\$ 197,243</u>	<u>\$ -</u>	<u>\$ 902,411</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	\$ 1,432,753
Accumulated depreciation	(1,235,510)
	<u>\$ 197,243</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>\$ 135,817</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.

Notes payable	\$ 152,228
Accrued interest payable	596
Accrued compensated absences	189,890
Net pension obligation	828,688
	<u>\$ 1,171,402</u>

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
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 (\$271,212) differs from the "change in net assets" for governmental activities (\$619,140) 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

	Total Governmental Funds	Long-term Revenues/ Expenses (1)	Capital- related Items (2)	Long-term Debt Transactions (3)	Statement of Activities Totals
Revenues					
Property taxes	\$ 1,603,464	\$ (145,715)	-	-	\$ 1,457,749
Investment earnings	5,524	-	-	-	5,524
Miscellaneous	68,512	-	-	-	68,512
Total revenues	<u>\$ 1,677,500</u>	<u>(145,715)</u>	<u>-</u>	<u>-</u>	<u>1,531,785</u>
Expenditures					
Public safety - fire protection and rescue:					
Personnel services	1,569,405	-	-	(339,590)	1,229,815
Materials and services	397,382	-	-	-	397,382
Capital related items	17,040	-	44,992	-	62,032
Principal paid on long-term debt	50,305	-	-	(50,305)	-
Interest expense	8,516	-	-	596	9,112
Legal settlement	30,000	-	-	-	30,000
Total expenditures	<u>2,072,648</u>	<u>-</u>	<u>44,992</u>	<u>(389,299)</u>	<u>1,728,341</u>
Other financing uses/changes in net assets					
Proceeds from long-term borrowings	-	-	-	-	-
Net change for the year	<u>\$ (395,148)</u>	<u>\$ (145,715)</u>	<u>\$ (44,992)</u>	<u>\$ 389,299</u>	<u>\$ (196,556)</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	(145,715)
	<u>\$ (145,715)</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	\$ 17,040
Depreciation Expense	\$ (62,032)
	<u>\$ (44,992)</u>

- (3) Repayment of bond principal is reported as an expenditure in the governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the Fire District as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. Also 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. Bond issuance costs are reported as expenditures in governmental funds while in the government-wide financial statements they are capitalized and amortized over the life of the bond.

Principal payments made	\$ 50,305
Accrued interest payable	(596)
Accrued compensated absences	(5,838)
Net pension obligation	345,428
	<u>\$ 389,299</u>

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
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 \$569,351 and the bank balances were aggregated to \$600,723.

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 \$600,723 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 statute of the State of Rhode Island prescribes 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 1.20 per \$1000 of the assessed valuation.

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

General Fund	<u>\$ 135,817</u>
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NORTH CUMBERLAND FIRE DISTRICT, STATION 5
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 \$135,817 at June 30, 2015.

NOTE 8 – CAPITAL ASSETS

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

	<u>General Fund</u>	<u>Total</u>
Land	\$ 61,250	\$ 61,250
Buildings and Improvements	288,750	288,750
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>\$ 117,786</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

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

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
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.

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 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.

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 - PENSION COSTS (Continued)

Benefits provided (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	6
Inactive, nonretired members	1
Active members	13
Total	20

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
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 North 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 District contributed \$163,312 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.

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 - PENSION COSTS (Continued)

Net Pension Liability (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 consultants, 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

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 - PENSION COSTS (Continued)

Net Pension Liability (Continued)

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.

Changes in the Net Pension Liability (Asset)			
	<i>Increase (Decrease)</i>		
From GRS employer specific valuation	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2013	\$5,007,387	\$3,833,271	\$1,174,116
Changes for the year	-	-	-
Service cost	134,277	-	134,277
Interest on the total pension liability	372,770	-	372,770
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	(34,003)	-	(34,003)
Employer contributions	-	105,004	105,004
Employee contributions	-	56,475	56,475
Net investment income	-	591,786	591,786
Benefit payments, including employee refunds	(208,505)	(208,505)	-
Administrative expense	-	(3,706)	3,706
Other changes	-	68,883	(68,883)
Net changes	264,509	609,937	(345,428)
Balances as of June 30, 2014	5,271,896	4,443,208	828,688

Sensitivity of the Net Pension Liability to changes in the discount rate - The following presents the net pension liability of the employers calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability 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%)
1,377,511	828,688	279,867

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

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
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 North Cumberland Fire District recognized pension expense of \$163,311. The District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in experience	\$ -	\$ -
Differences in assumptions	-	3,702
Excess(deficit) investment returns	-	60,722
Total	\$ -	\$ 64,424

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

Year Ending June 30,	Net Deferred Outflows of Resources
2016	\$ (64,424)
2017	(64,424)
2018	(64,424)
2019	(64,424)
2020	(3,702)
Thereafter	(11,821)
Total	\$ (273,219)

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.

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 12 – POST-EMPLOYMENT HEALTHCARE BENEFITS

The station provides for post-employment health benefits to six retirees.

Plan Description:

The Station is a single employer defined benefit healthcare plan administered by Rhode Island Blue Cross provides health insurance benefits to one eligible retiree on an individual basis.

Funding Policy:

The required contribution is based on a pay-as-you-go financing requirement. For the year ended June 30, 2015 the Station contributed \$11,148 to the plan, for current premiums and the Station did not pay any amount prefund benefits. The plan member receiving benefits did not contribute any amounts toward the total premiums.

Actuarial Report: The plan has six members, which is less than the hundred member minimum, and does not meet the requirement to have an actuarial report prepared every two years.

Management estimates the net OPEB obligation to be \$117,968 at June 30, 2015. Management estimates the plan was 34.2% funded as of June 30, 2015

NOTE 13 - COMPENSATED ABSENCES

As of June 30, 2015, the liability for accrued sick leave was approximately \$189,900.

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 North Cumberland Fire District, Station 5 will operate within a city wide Fire District.

NORTH CUMBERLAND FIRE DISTRICT, STATION 5
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>
Revenues			
General Revenues			
Property taxes	-	\$ 1,603,464	1,603,464
Interest on taxes	-	-	-
Interest earned	-	5,524	5,524
Miscellaneous income	-	68,512	68,512
Total revenue	<u>-</u>	<u>1,677,500</u>	<u>1,677,500</u>
Expenditures			
Fire and rescue expenses:			
Personnel Services	1,487,575	1,569,405	(81,830)
Materials and services:			
Equipment and supplies	39,300	33,962	5,338
Maintenance and repairs	31,850	41,132	(9,282)
Operations	112,850	204,535	(91,685)
Clothing	11,500	11,240	260
Training	13,500	9,136	4,364
Insurance	52,700	92,999	(40,299)
Utilities and services	20,500	21,418	(918)
Interest	8,368	8,516	(148)
Principal paid on bonds	54,000	50,305	3,695
Capital projects	-	17,040	(17,040)
Legal settlement	6,000	30,000	(24,000)
Depreciation	-	62,032	(62,032)
Total expenditures	<u>1,838,143</u>	<u>2,151,720</u>	<u>(313,577)</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>(1,838,143)</u>	<u>(474,220)</u>	<u>1,363,923</u>
Excess of revenue over (under) expenditures and other financing sources - Budget basis	<u>\$ (1,838,143)</u>	<u>(474,220)</u>	<u>\$ 1,363,923</u>
Add:			
Reservations not considered expenses for GAAP purposes		-	
Excess of revenue over (under) expenditures and other financing sources - GAAP basis		<u>\$ (474,220)</u>	

**NORTH CUMBERLAND FIRE DISTRICT, STATION 5
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>
Total Pension Liability	
Service Cost	\$ 134,277
Interest on the Total Pension Liability	372,770
Benefit Changes	-
Difference Between Expected and Actual Experience	-
Assumption Changes	(34,033)
Benefit Payments	(208,505)
Net Change in Total Pension Liability	<u>264,509</u>
Total Pension Liability - Beginning	<u>5,007,387</u>
Total Pension Liability - Ending (a)	<u><u>\$ 5,271,896</u></u>
Plan Fiduciary Net Position	
Employer Contributions	\$ 105,004
Employee Contributions	56,475
Pension Plan Net Investment income	591,786
Benefit Payments	(208,505)
Pension Plan Administrative Expense	(3,706)
Other Changes in Plan Fiduciary Net Position	68,883
Net Change in Plan Fiduciary Net Position	<u>609,937</u>
Plan Fiduciary Net Position - Beginning	<u>3,833,271</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 4,443,208</u></u>
Net Pension Liability/(Asset) - Ending (a) - (b)	828,688
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.28%
Covered Employee Payroll	\$ 707,091
Net Pension Liability as a Percentage of Covered Employee Payroll	117.20%

**NORTH CUMBERLAND FIRE DISTRICT, STATION 5
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

**NORTH CUMBERLAND FIRE DISTRICT, STATION 5
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
Total Pension Liability										
Service Cost	\$ 134,277									
Interest on the Total Pension Liability	372,770									
Benefit Changes	-									
Difference Between Expected and Actual Experience	-									
Assumption Changes	(34,033)									
Benefit Payments	(208,505)									
Net Change in Total Pension Liability	264,509									
Total Pension Liability - Beginning	5,007,387									
Total Pension Liability - Ending (a)	\$ 5,271,896									
Plan Fiduciary Net Position										
Employer Contributions	\$ 105,004									
Employee Contributions	56,475									
Pension Plan Net Investment income	591,786									
Benefit Payments	(208,505)									
Pension Plan Administrative Expense	(3,706)									
Other Changes in Plan Fiduciary Net Position	68,883									
Net Change in Plan Fiduciary Net Position	609,937									
Plan Fiduciary Net Position - Beginning	3,833,271									
Plan Fiduciary Net Position - Ending (b)	\$ 4,443,208									
Net Pension Liability/(Asset) - Ending (a) - (b)	828,688									
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.28%									
Covered Employee Payroll	\$ 707,091									
Net Pension Liability as a Percentage of Covered Employee Payroll	117.20%									

Parmelee Poirier & 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 North Cumberland Fire District, Station 5 (Station), as of and for the year fiscal 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 material weaknesses and 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2015-001 through 2015-002 to be material weaknesses

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 no significant deficiencies that are required to be reported under *Government Auditing Standards*.

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*.

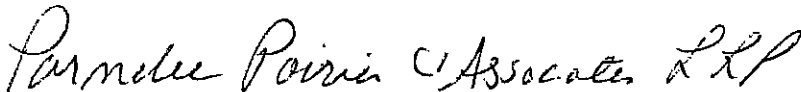
We noted certain other matters that we reported to management of the Station in a separate letter dated December 1, 2015.

North Cumberland Fire District, Station 5, 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

NORTH CUMBERLAND FIRE DISTRICT, STATION 5

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

2015-001 FINDING SEGREGATION OF DUTIES

We identified a material weakness during the testing of cash receipts. One person was responsible to receive cash, to make the cash deposit, and to post activity to the accounts receivable module, OPAL. This procedure did not allow for appropriate internal controls. Internal controls are the processes or checks and balances that are critical to safeguard the Organization's assets.

RECOMMENDATION:

It is our recommendation that someone prepare the deposit; the deposit should be reviewed by another individual who physically brings the deposit to the bank. Ideally, another additional person would post the payments to the OPAL accounts.

We acknowledge that segregation of duties is often difficult to achieve in small business offices. However, the Organization should attempt to implement these segregations to the greatest extent possible. In some cases, it may result in an employee from management or another department being responsible for one of the functions.

MANAGEMENT RESPONSE:

Management agrees with this comment. All deposit activity of the town-wide district is completed by the Business Manager and system payment processing is now completed by the District Bookkeeper/Assistant Business Manager. Starting July 1, 2015, procedures were established and new job specifications were adopted to ensure compliance with proper practices related to segregation of duties. Bank deposits are now made at least two times per week at intervals of at least every three business days, such as Tuesdays and Fridays. Also, all OPAL system batch records and bank deposit records are now organized and filed in a standard packet consisting of the same set of records. Batch and bank records are filed and stored under the custody of the District bookkeeper.

2015-002 FINDING APPROVAL OF EXPENDITURES

During our testing, it was noted that one invoice was missing management approval yet it was processed for payment. Further, the staff was unable to locate the support for four purchases which were paid.

NORTH CUMBERLAND FIRE DISTRICT, STATION 5

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 (continued):

RECOMMENDATION:

It is our recommendation that the Chief or Finance Director reviews all invoices presented for payment and indicate 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.

MANAGEMENT RESPONSE:

Management agrees with this comment. At the start of the current 2015-2016 fiscal year, the Finance Department implemented new documented procedures for account payable and vendor payment processing. These procedural changes occurred simultaneously with the recent district consolidation, reorganization and staff adherence of newly adopted position specifications.

Included in these new procedures is the requirement that all invoices to be approved by either the Business Manager for administrative type invoices or the Fire Chief for operations related invoices. Signed approval written on the actual invoice must be provided in order for payment processing to be initiated. Staff members with accounts payable related duties have complied without exception with this procedure since becoming effective July 1, 2015.

December 1, 2015

To the Honorable Board of Fire Commissioners
North Cumberland Fire District, Station 5
1530 Mendon Road
Cumberland, RI 02864

In planning and performing our audit of the financial statements of North Cumberland Fire District, Station 5 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 North Cumberland Fire District, Station 5

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 accounting of old, outstanding checks, the preparation of the Organization's internal budget, the destroying of documents, and calculation of the overtime rate of pay.

Currently, the organization has written off old, outstanding checks, after attempts to contact the owners of the funds were unsuccessful. The State of Rhode Island law §33-21.1-17 *Report of Abandoned Property* requires that government and non-government agencies review their books and records each year to determine if any accounts might be considered dormant and therefore unclaimed. Unclaimed property of money and other assets are considered lost or abandoned after an owner cannot be located for a specific period of time. It includes bank accounts, wages, refunds, gift certificates, credit memos, account receivable credits and payables. Most property is turned over to the Treasury if it has been inactive for three years. However, wages may become

unclaimed after one year. November 1, 2015 was the deadline for filing annual unclaimed property reports with the Rhode Island Treasury. The Unclaimed Property report can be found on the Rhode Island Secretary of State's website.

It is our recommendation that the Organization cease its procedure of writing off old, outstanding checks and if applicable, remit any unclaimed property to the State of Rhode Island.

Currently, the budget has been prepared for expenses 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.

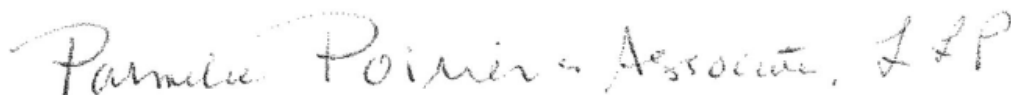
During the testing of cash receipts, it was noted that after the bank deposit was reconciled, the supporting documents for the deposit were shredded. The support for bank deposits should be retained in accordance with record retention laws of the State of Rhode Island.

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
December 1, 2015

***NORTH CUMBERLAND FIRE
DISTRICT, STATION 5***

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

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

Parmelee, Poirier & Associates LLP

Parmelee Poirier & Associates, LLP

Certified Public Accountants

December 1, 2015

To the Honorable Board of Fire Commissioners
North Cumberland Fire District, Station 5
50 Arnold Mills 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 North Cumberland Fire District, Station 5 (the Station), as of and for the year 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 North Cumberland Fire District, Station 5 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 fiscal year 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.

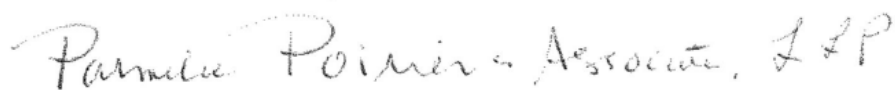
Other Matters

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 North Cumberland Fire District, Station 5, 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