
CUMBERLAND FIRE DISTRICT

AUDITED FINANCIAL STATEMENTS

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2016***

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Finance Department***

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Chairperson***

Prepared by: Finance Department

CUMBERLAND, RHODE ISLAND

Introductory Section

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CUMBERLAND FIRE DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2016

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Financial Section

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INDEPENDENT AUDITORS' REPORT

The Honorable Fire Committee
Cumberland Fire District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Cumberland Fire District of Cumberland, Rhode Island as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cumberland Fire District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cumberland Fire District's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Parmelee, Poirier & Associates, LLP
Warwick, Rhode Island
February 1, 2017

Management's Discussion and Analysis

CUMBERLAND FIRE DISTRICT
Cumberland, Rhode Island
Management's Discussion and Analysis
For the Year Ended June 30, 2016
(Unaudited)

As management of the Cumberland Fire District, we offer readers of the District's Financial Statements this narrative overview and analysis of financial activities of the District for the fiscal year ended June 30, 2016. The District has implemented Governmental Accounting Standards Board Statement 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

Organizational Highlights

- ❖ The merger of the four separate Cumberland Fire Stations into the one Cumberland Fire District has been successfully implemented. The merger has created one cohesive group which is working well together to serve the Town of Cumberland. As the management group continues to work together we anticipate creating more efficiencies and improvements in operations.

Financial Highlights

- ❖ The current fiscal year's revenues exceeded general fund expenditures on a GAAP basis by \$154,516. The sale of an asset resulting in a \$20,100 unbudgeted gain; the collection of penalties and past due taxes; and a very small unfavorable variance of \$14,316 for expense spending all contributed to the increase in the general fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These basic financial statements consist of three components:

- * Government – wide financial statements
- * Fund financial statements
- * Notes to financial statements

In addition to the basic financial statements, this report also contains other supplementary information.

The District's basic financial statements and other supplementary financial information provide information about all of the District's activities. They provide both a short-term and a long-term view of the District's financial health as well as information about activities for which the District acts solely as a trustee for the benefit of those outside of the District's government.

Overview of the Financial Statements – (continued)

Government-wide financial statements - are designed to provide readers with a broad over view of the District's finances in a manner, which is similar to a private-sector business. They are presented on the accrual basis of accounting where revenues and expenditures are recognized on the date they occurred rather than on the date they were collected or paid.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information which shows how the District's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods. Examples are uncollected taxes and earned but unused compensated absences.

Both of the government-wide financial statements distinguish functions of the District, which are supported by taxes and intergovernmental revenues (governmental activities) from other functions. The District's governmental activities include administration and public safety services.

The government-wide financial statements are reported on pages 9 and 10.

Fund financial statements -- A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In general, funds can be divided into two categories - governmental funds and proprietary funds.

The fund financial statements are reported on pages 11 through 13.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term

Overview of the Financial Statements – (continued)

impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds - The District has no proprietary funds at this time.

Notes to Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are presented on pages through 14 through 41.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information pertinent to the District's operations. Supplementary information is presented on pages 42 through 51.

Government-Wide Financial Analysis

Analysis of the Cumberland Fire District's Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Cumberland Fire District, liabilities exceed assets by (\$6,332,659) as of June 30, 2016.

At year end, the District had cash and investments totaling \$1,788,789 (56.6% of total assets) that are unrestricted, and available for use within the District's policies. The next largest portion (39.1%) consists of its investments in capital assets such as land, buildings and improvements, motor vehicles, furniture and equipment and infrastructure, less accumulated depreciation. The District has paid any outstanding debt related to the acquisition of these assets. The District uses these capital assets to provide services to its taxpayers. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any future debt, must be provided from other sources, since the capital assets themselves are highly unlikely to be used to liquidate these liabilities.

Government-Wide Financial Analysis – (continued)

The District's liabilities consist of trade payables of \$73,021 (less than 1% of total liabilities) usually paid within 30 to 60 days from invoice date. An advanced tax collection (11.9%) of liabilities represents tax payments paid to the District prior to the year in which it may be recognized. Long term liabilities consisted of other post-employment benefits and net pension liability. These are benefits to be paid out sometime in the future to retirees from the District. These amounts will change annually based upon actuarial information.

Statement of Net Position

	Governmental Activities 2016
Cash and other assets	\$ 1,927,355
Capital assets (net)	1,236,771
Total assets	<u>3,164,126</u>
Deferred inflows of resources	<u>1,593,557</u>
Other liabilities	1,098,140
Long-term liabilities	9,255,684
Total liabilities	<u>10,353,824</u>
Deferred outflows of resources	<u>736,518</u>
Net position:	
Invested in capital assets (net)	1 236,771
Unrestricted	<u>(7,569,430)</u>
Total net position	<u><u>\$ (6,332,659)</u></u>

Analysis of the Cumberland Fire District's Operations

The following analysis provides a summary of the District's operations for the year ended June 30, 2016.

In the fiscal year ended June 30, 2016, the net position of the governmental activities decreased by \$491,036.

Government-Wide Financial Analysis – (continued)

Statement of Activities

	Governmental Activities 2016
Revenues:	
Program revenues:	
Charges for services	\$ -
Grants and contributions	-
General revenues:	
Property taxes	7,287,665
Investment earnings	13,160
Miscellaneous fees	313,483
Total revenues	7,614,308
Expenses:	
Personnel services	7,178,357
Materials and services	939,812
Capital related items	1,592
Interest on long-term liabilities	5,683
Total expenses	8,125,444
Gain on sale of asset	20,100
Increase (decrease) in net position	(491,036)
Total net position - July 1, 2015	(5,841,623)
Total net position - June 30, 2016	\$ (6,332,659)

Financial Analysis of the Cumberland Fire District's Funds

Governmental Funds - The focus of the Cumberland Fire District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported an ending fund balance of \$696,402 that is all unreserved at this time.

Financial Analysis of the Cumberland Fire District's Funds – (continued)

General Fund Budgetary Highlights

The current fiscal year operations reported a net increase in the General Fund balance of \$154,516 funds accumulated in prior years.

The overall actual revenues were \$428,919 over budget because program revenues, property taxes collected, miscellaneous revenues and interest on taxes were greater than estimated amounts used for the budget.

Budgeted expenditures came in \$414,063 over budget. Actual personnel cost reported were \$372,094 greater than amounts budgeted. The other item that represented an unfavorable budget to actual was principal payments on debt. This cost was inadvertently excluded from the budget. The increases in costs were offset by a decrease in insurance expense of \$110,516.

The District's Capital Assets

The Cumberland Fire District's investment in capital assets for its governmental activities amounts to \$1,236,771, net of accumulated depreciation at June 30, 2016. Included are land, building and improvements, motor vehicles, furniture and fixtures, and equipment. See Note 8 for additional details.

The Cumberland Fire District's Debt Administration

At the end of the current fiscal year, the District had a no outstanding debt. The long term liabilities related to other post-employment benefits, health insurance, and net pension liability. Additional information on the District's long-term liabilities can be found in Note 9.

Requests for Information

The financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the tax dollars received. If you have questions about this report or need additional financial information, contact the Finance Director, 3502 Mendon Road, Cumberland, RI 02864.

Basic Financial Statements

Government-Wide Financial Statements

**CUMBERLAND FIRE DISTRICT
STATEMENT OF NET POSITION
June 30, 2016**

ASSETS

Cash and investments	\$ 1,788,789
Taxes receivable	114,662
Other receivables	18,150
Prepaid expenses	5,754
Capital assets, net of accumulated depreciation, where applicable	<u>1,236,771</u>
TOTAL ASSETS	<u>3,164,126</u>

DEFERRED OUTFLOWS OF RESOURCES	<u>1,593,557</u>
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LIABILITIES

Accounts payable	73,021
Advanced tax collections	1,017,744
Advanced fee collections	7,375
Long-term liabilities:	
Portion due within one year	92,384
Portion due after one year	<u>9,163,300</u>
TOTAL LIABILITIES	<u>10,353,824</u>

DEFERRED INFLOWS OF RESOURCES	<u>736,518</u>
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NET POSITION

Invested in capital assets, net of related debt	1,236,771
Unrestricted	<u>(7,569,430)</u>
TOTAL NET POSITION	<u><u>\$ (6,332,659)</u></u>

See auditors' report and accompanying notes to these financial statements

CUMBERLAND FIRE DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

Functions/Programs	Program revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Primary government					
Personnel services	\$ 7,178,357	\$ -	-	\$	(7,178,357)
Materials and services	939,812	-	-		(939,812)
Capital related items	1,592	-	-		(1,592)
Interest expense	5,683	-	-		(5,683)
Total governmental activities	\$ 8,125,444	\$ -	\$ -		(8,125,444)
General revenues:					
Property taxes					7,287,665
Investment earnings					13,160
Miscellaneous					313,483
Total general revenues					7,614,308
Non-operating revenues:					
Gain on sale of assets					20,100
Increase in net position					(491,036)
Net position - beginning of the year *					(5,841,623)
Net position - end of the year				\$	(6,332,659)

* Please see notes to the financial statements for further details

See auditors' report and accompanying notes to these financial statements

Fund Financial Statements

**CUMBERLAND FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 1,788,789	\$ -	\$ 1,788,789
Taxes receivable	114,662	-	114,662
Other receivables	18,150	-	18,150
Prepaid expenses	5,754	-	5,754
TOTAL ASSETS	<u>\$ 1,927,355</u>	<u>\$ -</u>	<u>\$ 1,927,355</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 73,021	\$ -	\$ 73,021
Advanced tax collections	1,017,744	-	1,017,744
Advanced fee collections	7,375	-	7,375
Deferred revenue - property tax	132,813	-	132,813
TOTAL LIABILITIES	<u>1,230,953</u>	<u>-</u>	<u>1,230,953</u>
FUND BALANCES			
Assigned to:			
Unassigned	696,402	-	696,402
TOTAL FUND BALANCES	<u>696,402</u>	<u>-</u>	<u>696,402</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,927,355</u>	<u>\$ -</u>	

Amounts reported for governmental activities on the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (see note 2)	1,236,771
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (see note 2)	132,813
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. (see note 2)	(9,255,684)
Deferred inflows and outflows of resources are not available for the current period and are not reported in the funds. (see note 2)	857,039

Net position of governmental activities	<u><u>\$ (6,332,659)</u></u>
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See auditors' report and accompanying notes to these financial statements

**Cumberland Fire District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Totals</u>
Revenues:		
Property taxes	\$ 7,465,287	\$ 7,465,287
Investment earnings	13,160	13,160
Miscellaneous	313,483	313,483
Total general revenues	<u>7,791,930</u>	<u>7,791,930</u>
Expenses:		
Public safety - fire protection and rescue		
Personnel services	6,559,791	6,559,791
Materials and services	939,812	939,812
Capital related items	-	-
Principal paid on long-term debt	152,228	152,228
Interest	5,683	5,683
Total expenses	<u>7,657,514</u>	<u>7,657,514</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>134,416</u>	<u>134,416</u>
Other financing sources (uses)		
Gain on sale of asset	20,100	20,100
Total other financing sources (uses)	<u>20,100</u>	<u>20,100</u>
Net change in fund balances	154,516	154,516
Total fund balances - beginning of the year *	<u>541,886</u>	<u>541,886</u>
Total fund balances - end of the year	<u>\$ 696,402</u>	<u>\$ 696,402</u>

* Please see notes to the financial statements for further details

See auditors' report and accompanying notes to these financial statements

CUMBERLAND FIRE DISTRICT
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, 2016

Net change in fund balances - total governmental funds	\$	154,516
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds reported capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation in the amount of \$97,802 exceeded capital asset additions of \$96,210 for the current period.		(1,592)
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Reductions in deferred revenue that provide current financial resources to governmental funds are not reported as revenues in the Statement of Activities.		(177,622)
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Long-term employee benefits that do not require the use of current financial resources are not reported as expenditures in the governmental funds but are recorded in the Statement of Activities.

Decreases in accrued compensated absences		80,023
Principal payments made		152,228
Increases in net pension liability		(1,855,775)
Increases in deferred outflows of resources		932,268
Decreases in deferred inflows of resources		224,918
		(466,338)

Change in net position of governmental activities.	\$	(491,036)
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See auditors' report and accompanying notes to these financial statements

Notes to Financial Statements

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Cumberland Fire District have been prepared in conformity with principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing government and financial reporting principles. The following notes to the basic financial statements are an integral part of the District's financial statements.

A. Financial Reporting Entity

The Cumberland Fire District, Cumberland, Rhode Island, (the District), was incorporated by an act of the Rhode Island General Assembly. The primary function includes fire protection within the Town of Cumberland, Rhode Island. The District is comprised of four stations: Valley Falls (Station 1), Cumberland (Station 2), Cumberland Hill (Station 4), and North Cumberland (Station 5). The four stations are located at 555 High Street, 1530 Mendon Road, 3502 Mendon Road, and 50 Arnolds Mill Road, respectively.

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

B. Fund Accounting

The general account of the District is organized on the basis of funds. The operations of funds are summarized by a separate set of self-balancing accounts, which includes assets, liabilities, fund equity, revenues and expenses or expenditures. The District 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 differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide Financial Statements.

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

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

C. Basis of Accounting (continued):

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 judgements, are recorded only when payment is due.

Government-Wide Financial Statements

The District’s Government-Wide Financial Statements include a Statement of Net Position and Statement of Activities, which report information on all of the activities of the primary government. The District’s operations consist of governmental activities, which are normally supported by taxes. The District has no business-type activities, which rely to a significant extent on fees and charges for support. If the District 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 of the District’s assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Net Position presents changes in net position. 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 District are reported as charges for services. The District has not received any operating grants or contributions.

D. Budgets and Budgetary Accounting

As set forth in the District’s enabling legislation, the fire committee adopts 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 District has not adopted an encumbrance accounting system.

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

F. Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash and highly 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 uncollectible. 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 Position, but are not reported in the Government Fund Financial Statements.

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

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

Depreciation of exhaustible fixed assets is charged as an expense against operations, and accumulated depreciation is reported on the Government-Wide Statement of Net Position. 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 District'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.

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

K. Fund Equity

The Government-Wide Financial Statements utilize a net position presentation. Net position may be 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 position. 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 Position – This category represents net position of the District, not restricted for any specific project or purpose.

In the Fund Financial Statements, the fund balance that are either not available or have been earmarked for specific purposes are reported as nonspendable, restricted, committed or assigned. At June 30, 2016, the District's fund balance is unassigned.

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 District 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 District is eligible to realize the revenue. Unearned revenues are reported as advanced tax collections and advanced fee collections on the Government-Wide Statement of Net Position and Governmental Fund Balance Sheet.

N. Property Taxes

Property taxes levied during fiscal year 2015 on personal and real property are based upon the assessed value of property listed on the tax rolls of the Town of Cumberland on December 31, 2014. Assessed values are based upon fair market value as of December 31, 2013. The Town of Cumberland's Tax Assessor's Office is required to conduct statistical revaluations every 3 years and a full revaluation must be made every 9 years. The last full revaluation was completed in 2013. Taxes are due on October 1st in full and are recognized as fiscal year 2016 revenues. Property taxes levied during fiscal year 2016 and the associated cash collections are reported as advanced tax collections at June 30, 2016.

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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

O. Vacation, Sick Leave and Other Compensated Absences

Compensated absences are payments to employees for accumulated time such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered is accrued as the employees earn the rights to the benefits. The District 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 and are presented as 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 bonds, 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 District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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 District's highest level of decision making authority, which for the District, 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 District'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 delegated 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** – Includes the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The unassigned fund balance may also include negative balances for any governmental funds if the expenditures exceed amounts restricted, committed, or assigned for specific purposes.

**CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

"Total fund balances" of the Fire District's governmental funds (\$696,402) differs from "net position" of governmental activities (-\$6,332,659) reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position 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 Position Totals
ASSETS:				
Cash and investments	\$ 1,788,789	\$ -	\$ -	\$ 1,788,789
Accounts receivable:				
Taxes receivable	114,662	-	-	114,662
Other receivables	18,150	-	-	18,150
Internal balances	-	-	-	-
Prepaid expenses	5,754	-	-	5,754
Capital assets	-	1,236,771	-	1,236,771
Total assets	<u>\$ 1,927,355</u>	<u>\$ 1,236,771</u>	<u>\$ -</u>	<u>\$ 3,164,126</u>
Deferred outflows of resources	<u>\$ -</u>	<u>\$ 1,593,557</u>	<u>\$ -</u>	<u>\$ 1,593,557</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 73,021	\$ -	\$ -	\$ 73,021
Deferred revenues	132,813	(132,813)	-	-
Advanced tax collections	1,017,744	-	-	1,017,744
Advanced fee collections	7,375	-	-	7,375
Long-term liabilities				
Due within one year	-	92,384	-	92,384
Due in more than one year	-	9,163,300	-	9,163,300
Total liabilities	<u>\$ 1,230,953</u>	<u>\$ 9,122,871</u>	<u>\$ -</u>	<u>\$ 10,353,824</u>
Deferred inflows of resources	<u>\$ -</u>	<u>\$ 736,518</u>	<u>\$ -</u>	<u>\$ 736,518</u>
Fund Balances/Net Position				
Total fund balances/net position	\$ 696,402	\$ (7,029,061)	\$ -	\$ (6,332,659)
Total liabilities and fund balances/net position	<u>\$ 1,927,355</u>	<u>\$ 2,093,810</u>	<u>\$ -</u>	<u>\$ 4,757,683</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 Position includes those capital assets among the assets of the Fire District as a whole.

Cost of capital assets	\$ 5,527,831
Accumulated depreciation	(4,291,060)
	<u>\$ 1,236,771</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>\$ 132,813</u>
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Long-term liabilities applicable to the District'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 Position.

Accrued compensated absences	\$ (923,839)
Other post-employment benefit obligations	(1,870,972)
Net pension liability	(6,460,873)
	<u>\$ (9,255,684)</u>

Deferred inflows/outflows of resources are unavailable in the current period and accordingly are not reported as fund assets / liabilities. They are instead, reported in the Statement of Net Position.

Deferred outflows of resources related to pensions	\$ 911,791
Deferred outflows of resources related to pension contributions subsequent to valuation date	681,766
Deferred inflows of resources related to pensions	(736,518)
	<u>\$ 857,039</u>

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The "net change in the fund balances" for governmental funds (\$154,516) differs from the "change in net position" for governmental activities (-\$491,036) 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.

	Total Governmental Funds	Long-term Revenues/ Expenses (1)	Capital- related Items (2)	Long-term Debt Transactions (3)	Statement of Activities Totals
Revenues					
Property taxes	\$ 7,465,287	\$ (177,622)	\$ -	\$ -	\$ 7,287,665
Investment earnings	13,160	-	-	-	13,160
Miscellaneous	313,483	-	-	-	313,483
Total revenues	<u>\$ 7,791,930</u>	<u>\$ (177,622)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,614,308</u>
Expenditures					
Personnel services	\$ 6,559,791	\$ -	\$ -	\$ 618,566	\$ 7,178,357
Materials and services	939,812	-	-	-	939,812
Capital related items	-	-	1,592	-	1,592
Principal paid on long-term debt	152,228	-	-	(152,228)	-
Interest expense	5,683	-	-	-	5,683
Total expenditures	<u>\$ 7,657,514</u>	<u>\$ -</u>	<u>\$ 1,592</u>	<u>\$ 466,338</u>	<u>\$ 8,125,444</u>
Other financing uses/changes in net position					
Gain (loss) on sale of fixed assets	\$ 20,100	-	-	-	\$ 20,100
Net change for the year	<u>\$ 154,516</u>	<u>\$ (177,622)</u>	<u>\$ (1,592)</u>	<u>\$ (466,338)</u>	<u>\$ (491,036)</u>

- (1) Reductions in deferred revenues that provide current financial resources to governmental funds are not reported as revenues in the Statement of Activities.

Deferred revenue beginning of year	\$ (310,435)
Deferred revenue property tax	132,813
	<u>\$ (177,622)</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 these assets are allocated over their estimated useful lives and reported as depreciation expense. As a result, net position decreases by the amount of depreciation expense in excess of capital outlays.

Capital outlay	\$ 96,210
Depreciation Expense	(97,802)
	<u>\$ (1,592)</u>

- (3) 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 included on the Statement of Activities.

Principal payments made	\$ 152,228
Change in OPEB obligation	-
Decrease in accrued compensated absences	80,023
Increase in net pension liability	(1,855,775)
Increase in deferred outflows of resources	932,268
Decrease in deferred inflows of resources	224,918
	<u>\$ (466,338)</u>

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deposits with Financial Institutions

State statutes require that the District'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 District and its financial institutions had complied with the statute.

NOTE 5 - CASH AND CASH EQUIVALENTS

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".

Classifications for deposits with financial institutions and investments 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, 2016, the carrying amount of the District's deposits was \$1,788,789 and the bank balances were aggregated to \$1,922,490.

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. Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public institutions are required to insure accounts which hold public funds in excess of \$250,000.

NOTE 6- PROPERTY TAXES/ACCOUNTS RECEIVABLE

Taxes are levied in May of the previous fiscal year and are due in full on October 1. The District bills and collects its own property taxes.

For the year ended June 30, 2016, the District had a tax rate of 2.14 per \$1000 of the assessed valuation.

Property taxes receivable as of June 30, 2016, amount to \$114,662.

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 – DEFERRED REVENUES AND ADVANCED TAX COLLECTIONS

General fund has unearned tax revenue that is measurable but not available. These amounts are deferred and consist of receivables and advanced tax collections. These funds total to \$114,662 at June 30, 2016.

In May of 2016, the District levied taxes (2016 tax levy) for fiscal year 2017 operations. Collections began immediately. Because these funds are not recognizable as revenues, the amount collected for the 2016 levy are reported as “Advanced Tax Collections” and amounted to \$1,025,119.

NOTE 8 – CAPITAL ASSETS

A summary of capital assets as of June 30, 2016:

	General Fund	Total
Land	\$ 799,800	\$ 799,800
Building and Improvements	1,507,147	1,507,147
Vehicles	2,683,302	2,683,032
Furniture and Fixtures	20,579	20,579
Equipment	537,273	537,273
Less: Accumulated Depreciation	<u>4,291,060</u>	<u>4,291,060</u>
Net Capital Assets	<u>\$ 1,257,041</u>	<u>\$ 1,257,041</u>

NOTE 9 – LONG-TERM LIABILITIES

At June 30, 2016, long-term liabilities consisted of the following:

	Outstanding 6/30/2015	New Issues	Maturities During Year	Outstanding 6/30/2016	Current Portion
Accrued compensated absences	\$ 1,003,862	\$ -	\$ 80,023	\$ 923,839	\$ 92,384
Net pension liability	4,605,098	1,855,775	-	6,460,873	-
Notes payable:					
Station 5 truck loan	152,228	-	152,228	-	-
Other post-employment benefits	1,870,972	110,287	110,287	1,870,972	-
Total long-term liabilities	<u>\$ 7,632,160</u>	<u>\$ 1,966,062</u>	<u>\$ 342,538</u>	<u>\$ 9,255,684</u>	<u>\$ 92,384</u>

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - PENSION COSTS

The District has four pension plans through participation in the Municipal Employees' 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 Employees' 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 – General employees, police officers and firefighters employed by electing municipalities participate in MERS. Eligible employees become members at their date of employment. Anyone employed by a municipality at the time the municipality joins MERS may elect not to be covered. Elected officials may opt to be covered by MERS. Employees covered under another plan maintained by the municipality may not become members of MERS. Police officers and/or firefighters may be designated as such by the municipality, in which case the special contribution and benefit provisions described below will apply to them, or they may be designated as general employees with no special benefits. Members designated as police officers and/or firefighters are treated as belonging to a unit separate from the general employees, with separate contribution rates applicable.

Salary: Salary includes the member's base earnings plus any payments under a regular longevity or incentive plan. Salary excludes overtime, unused sick and vacation leave, severance pay, and other extraordinary compensation. Certain amounts that are excluded from taxable wages, such as amounts sheltered under a Section 125 plan or amounts picked up by the employer under IRC Section 414(h), are not excluded from salary.

Service: Employees receive credit for service while a member. In addition, a member may purchase credit for certain periods by making an additional contribution to purchase the additional service. Special rules and limits govern the purchase of additional service and the contribution required.

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - PENSION COSTS (continued):

Final Average Compensation (FAC): Prior to July 1, 2012 and for general employee members eligible to retire as of June 30, 2012, the average was based on the member's highest three consecutive annual salaries. Effective July 1, 2012, the average was based on the member's highest five consecutive annual salaries. Once a member retires or is terminated, the applicable FAC will be the greater of the member's highest three year FAC as of July 1, 2012 or the five year FAC as of the retirement/termination date. Monthly benefits are based on one-twelfth of this amount.

Subsequent to June 30, 2015, litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, which have been included in the determination of the total pension liability at the June 30, 2015 measurement date and are reflected in the summary of benefit provisions described below.

General employees

Members with less than five years of contributory service as of June 30, 2012 and members hired on or after that date are eligible for retirement on or after their Social Security normal retirement age (SSNRA).

Members who had at least five years of contributory service as of June 30, 2012 will be eligible for retirement at an individually determined age. This age is the result of interpolating between the member's prior Retirement Date, described below, and the retirement age applicable to members hired after June 30, 2012 in (a) above. The interpolation is based on service as of June 30, 2012 divided by projected service at the member's prior Retirement Date. The minimum retirement age is 59.

Members with 10 or more years of contributory service on June 30, 2012 may choose to retire at their prior Retirement Date if they continue to work and contribute until that date. If this option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

Effective July 1, 2015, members will be eligible to retire with full benefits at the earlier of their current Rhode Island Retirement Security Act (RIRSA) date described above or upon the attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with 33 years of service.

A member who is within five years of reaching their retirement eligibility date and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - PENSION COSTS (continued):

Prior to July 1, 2012, members were eligible for retirement on or after age 58 if they had credit for 10 or more years of service, or at any age if they had credit for at least 30 years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

The annual benefit is equal to 2.00% of the member's monthly FAC for each year of service prior to July 1, 2012 and 1.00% of the member's monthly FAC for each year of service from July 1, 2012 through June 30, 2015. For all service after June 30, 2015, the annual benefit is equal to 1.0% per year unless the member had 20 or more years of service as of June 30, 2012 in which case the benefit accrual is 2.0% per year for service after June 30, 2015. The benefit cannot exceed 75% of the member's FAC. Benefits are paid monthly.

Police and Fire employees

Members are eligible to retire when they are at least 50 years old and have a minimum of 25 years of contributing service or if they have 27 years of contributing service at any age. Members with less than 25 years of contributing service are eligible for retirement on or after their Social Security normal retirement age.

Members who, as of June 30, 2012, had at least 10 years of contributing service, had attained age 45, and had a prior Retirement Date before age 52 may retire at age 52.

Active members on June 30, 2012 may choose to retire at their prior Retirement Date if they continue to work and contribute until that date. If option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

A member who is within five years of reaching their retirement eligibility date, as described in this section, and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members designated as police officers or firefighters were eligible for retirement at or after age 55 with credit for at least 10 years of service or at any age with credit for 25 or more years of service. Members were also eligible to retire and receive a reduced benefit if they are at least age 50 and have at least 20 years of service. If the municipality elected to adopt the 20-year retirement provisions for police officers and/or firefighters, then such a member was eligible to retire at any age with 20 or more years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

A monthly benefit is paid equal to 2.00% of the member's monthly FAC for each year of service, up to 37.5 years (75% of FAC maximum).

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - PENSION COSTS (continued):

If the optional 20-year retirement provisions were adopted by the municipality prior to July 1, 2012, benefits are based on 2.50% of the member's FAC for each year of service prior to July 1, 2012 and 2.00% of the member's FAC for each year of service after July 1, 2012. The benefit cannot exceed 75% of the member's FAC.

Active members (including future hires), members who retire after July 1, 2015 and after attaining age 57 with 30 years of service will have a benefit equal to the greater of their current benefit and one calculated based on a 2.25% multiplier for all years of service.

Other benefit provisions

Death and disability benefits are also provided to members. A member is eligible for a disability retirement provided he/she has credit for at least five years of service or if the disability is work-related. Members are not eligible for an ordinary disability benefit if they are eligible for unreduced retirement.

Joint and survivor benefit options are available to retirees. For some employees, a Social Security Option is also available where an annuity is paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.

Post-retirement benefit increases are paid to members who retire after June 30, 2012. Members will be eligible to receive cost of living increases at the later of the member's third anniversary of retirement and the month following their SSNRA (age 55 for members designated as police officers and/or firefighters). When a municipality elects coverage, it may elect either COLA C (covering only current and future active members and excluding members already retired) or COLA B (covering current retired members as well as current and future active members).

a. The COLA will be suspended for any unit whose funding level is less than 80%; however, an interim COLA may be granted in four-year intervals while the COLA is suspended. The first interim COLA may begin January 1, 2018.

b. Effective July 1, 2015, the COLA is determined based on 50% of the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%, plus 50% of the lesser of 3.0% or last year's CPI-U increase for a total maximum increase of 3.50%. Previously, it was the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%.

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - PENSION COSTS (continued):

c. The COLA will be limited to the first \$25,000 of the member's annual pension benefit. For retirees and beneficiaries who retired on or before July 1, 2015, years in which a COLA is payable based on the every fourth year provision will be limited to the first \$30,000. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016, and \$26,098 for 2017.

Employees Covered by Benefit Terms

At the June 30, 2014 valuation date, the following employees were covered by the benefit terms:

Valley Falls Fire District

Retirees and Beneficiaries	9
Inactive, Nonretired Members	4
Active Members	<u>13</u>
Total	26

Cumberland Fire District

Retirees and Beneficiaries	7
Inactive, Nonretired Members	1
Active Members	<u>13</u>
Total	21

Cumberland Hill Fire District

Retirees and Beneficiaries	11
Inactive, Nonretired Members	0
Active Members	<u>13</u>
Total	24

North Cumberland Fire District

Retirees and Beneficiaries	8
Inactive, Nonretired Members	1
Active Members	<u>13</u>
Total	22

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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 with less than 20 years of service as of June 30, 2012 are required to contribute 2% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 8.25%. Public safety employees are required to contribute 10% of their salaries. The Cumberland Fire District contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Cumberland Fire District contributed \$681,766 in the year ended June 30, 2016 which was 15.7% of annual covered payroll.

Net Pension Liability - The total pension liability was determined by actuarial valuations performed as of June 30, 2014 and rolled forward to June 30, 2015, 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, 2015 measurement date (June 30, 2014 valuation rolled forward to June 30, 2015)	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll - Closed
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	A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 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.

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - PENSION COSTS (continued):

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 a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Type of Investment	Target Allocation	Long-term expected real rate of return
Global Equity:	38.0%	-
U.S. Equity	-	6.93%
International Developed	-	7.32%
International Emerging Markets	-	9.52%
Equity Hedge Funds	8.0%	3.98%
Private Equity	7.0%	9.99%
Core Fixed Income	15.0%	2.18%
Absolute Return Hedge Funds	7.0%	3.98%
Infrastructure	3.0%	5.70%
Real Estate	8.0%	4.85%
Other Real Return Assets:	11.0%	-
Master Limited Partnerships	-	4.51%
Credit	-	4.51%
Inflation Linked Bonds	-	1.24%
Cash, Overlay, Money Market	3.0%	7.80%
	100.0%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

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

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - PENSION COSTS (continued):

Valley Falls Fire District

Changes in the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2014	\$4,098,961	\$3,300,510	\$798,451
Changes for the Year			
Service cost	127,997	-	127,997
Interest on the total pension liability	302,915	-	302,915
Changes in benefits	79,038	-	79,038
Difference between expected and actual experience	23,929	-	23,929
Changes in assumptions	-	-	-
Employer contributions	-	146,982	(146,982)
Employee contributions	-	57,033	(57,033)
Net investment income	-	78,068	(78,068)
Benefit payments, including employee refunds	(248,191)	(248,191)	-
Administrative expense	-	(3,133)	3,133
Other changes	-	1	(1)
Net changes	285,688	30,760	254,928
Balances as of June 30, 2015	\$4,384,649	\$3,331,270	\$1,053,379

Cumberland Fire District

Changes in the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2014	\$4,823,596	\$3,698,014	\$1,125,582
Changes for the Year			
Service cost	136,569	-	136,569
Interest on the total pension liability	357,824	-	357,824
Changes in benefits	160,807	-	160,807
Difference between expected and actual experience	64,598	-	64,598
Changes in assumptions	-	-	-
Employer contributions	-	160,842	(160,842)
Employee contributions	-	58,486	(58,486)
Net investment income	-	88,119	(88,119)
Benefit payments, including employee refunds	(241,786)	(241,786)	-
Administrative expense	-	(3,535)	3,535
Other changes	-	1	(1)
Net changes	478,012	62,127	415,885
Balances as of June 30, 2015	\$5,301,608	\$3,760,141	\$1,541,467

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - PENSION COSTS (continued):

Cumberland Hill Fire District

Changes in the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2014	\$5,836,474	\$3,984,097	\$1,852,377
Changes for the Year			
Service cost	124,042	-	124,042
Interest on the total pension liability	428,776	-	428,776
Changes in benefits	320,823	-	320,823
Difference between expected and actual experience	59,914	-	59,914
Changes in assumptions	-	-	-
Employer contributions	-	198,869	(198,869)
Employee contributions	-	59,565	(59,565)
Net investment income	-	93,010	(93,010)
Benefit payments, including employee refunds	(362,951)	(362,951)	-
Administrative expense	-	(3,767)	3,767
Other changes	-	1	(1)
Net changes	570,604	(15,273)	585,877
Balances as of June 30, 2015	\$6,407,078	\$3,968,824	\$2,438,254

North Cumberland Fire District

Changes in the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2014	\$5,271,896	\$4,443,208	\$828,688
Changes for the Year			
Service cost	\$139,487	-	\$139,487
Interest on the total pension liability	393,248	-	393,248
Changes in benefits	184,673	-	184,673
Difference between expected and actual experience	197,294	-	197,294
Changes in assumptions	-	-	-
Employer contributions	-	154,596	(154,596)
Employee contributions	-	58,393	(58,393)
Net investment income	-	106,915	(106,915)
Benefit payments, including employee refunds	(196,658)	(196,658)	-
Administrative expense	-	(4,288)	4,288
Other changes	-	1	(1)
Net changes	718,044	118,959	599,085
Balances as of June 30, 2015	\$5,989,940	\$4,562,167	\$1,427,773

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - PENSION COSTS (continued):

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.

Valley Falls Fire District

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$1,518,021	\$1,053,379	\$673,068

Cumberland Fire District

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$2,096,848	\$1,541,467	\$1,086,937

Cumberland Hill Fire District

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$3,116,937	\$2,438,254	\$1,882,753

North Cumberland Fire District

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$2,046,880	\$1,427,773	\$921,156

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

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - PENSION COSTS (continued):

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

Valley Falls Fire District

For the year ended June 30, 2016 the employer recognized pension expense of \$197,631. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 118,425	\$ -
Difference in experience	20,580	-
Differences in assumptions	-	27,923
Excess(deficit) Investment Returns	<u>134,157</u>	<u>132,110</u>
Total	<u>\$ 273,162</u>	<u>\$ 160,033</u>

Amounts reported as deferred outflows and inflows of resources related to pensions, other than contributions subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows (Inflows) of Resources
2017	\$ (12,654)
2018	(12,654)
2019	(12,653)
2020	31,384
2021	(2,156)
Thereafter	<u>3,437</u>
Total	<u>\$ (5,296)</u>

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - PENSION COSTS (continued):

Cumberland Fire District

For the year ended June 30, 2016 the employer recognized pension expense of \$317,563. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 198,556	\$ -
Difference in experience	54,708	-
Differences in assumptions	-	28,038
Excess(deficit) Investment Returns	150,606	149,335
Total	<u>\$ 403,870</u>	<u>\$ 177,373</u>

Amounts reported as deferred outflows and inflows of resources related to pensions, other than contributions subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows (Inflows) of Resources
2017	\$ (6,309)
2018	(6,309)
2019	(6,307)
2020	43,472
2021	5,819
Thereafter	(2,425)
Total	<u>\$ 27,941</u>

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - PENSION COSTS (continued):

Cumberland Hill Fire District

For the year ended June 30, 2016 the employer recognized pension expense of \$514,252. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 219,999	\$ -
Difference in experience	52,002	-
Differences in assumptions	-	32,680
Excess(deficit) Investment Returns	<u>161,390</u>	<u>157,637</u>
Total	<u>\$ 433,391</u>	<u>\$ 190,317</u>

Amounts reported as deferred outflows and inflows of resources related to pensions, other than contributions subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows (Inflows) of Resources
2017	\$ (8,843)
2018	(8,843)
2019	(8,845)
2020	43,704
2021	3,355
Thereafter	<u>2,547</u>
Total	<u>\$ 23,075</u>

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - PENSION COSTS (continued):

North Cumberland Fire District

For the year ended June 30, 2016 the employer recognized pension expense of \$350,909. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 144,687	\$ -
Difference in experience	156,926	-
Differences in assumptions	-	26,629
Excess(deficit) Investment Returns	<u>181,422</u>	<u>182,166</u>
Total	<u>\$ 483,035</u>	<u>\$ 208,795</u>

Amounts reported as deferred outflows and inflows of resources related to pensions, other than contributions subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows (Inflows) of Resources
2017	\$ 21,299
2018	21,299
2019	21,299
2020	77,477
2021	(3,702)
Thereafter	<u>(8,119)</u>
Total	<u>\$ 129,553</u>

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disaster. The District is insured for public liability, workers compensation, professional liability, errors and omissions, accident, property damage, fiduciary and excess liability with commercial insurance carriers.

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The District provides for post-employment healthcare benefits (OPEB) to nine retirees.

Plan Description:

The District participates in a single employer defined benefit healthcare plan administered by Blue Cross Blue Shield of Rhode Island which provides health and dental insurance benefits to eligible retirees on an individual basis. Benefit provisions are established and may be amended by the District's Fire Committee.

Under GASB Statements Number 43 and 45, employers providing other post-employment benefits are required to obtain an actuarial valuation for the plan at least every two years for 200 or more total members and at least every three years for less than 200 total members. The Plan has less than 100 total members and is allowed to use the *alternative measurement method*, which it has elected to do so.

Funding Policy:

The required contribution is based on a pay-as-you-go financing requirement. For the year ended June 30, 2016 the District contributed \$110,287 to the plan for current premiums. The District did not contribute any amount towards prefunding benefits. Plan members receiving benefits do not contribute any amount toward the total premiums.

In prior years, the unconsolidated Cumberland Hill Fire District set aside amounts to provide for future benefit payments to retirees. The funds in this account have since been transferred to the consolidated Cumberland Fire District and have remained untouched while it accrues interest. Subsequent to the merge, the consolidated Cumberland Fire District began funding retiree costs annually as a budget line item. The District no longer plans on using the set aside funds for retiree benefit payments.

Members and Benefit Types:

As of June 30, 2016, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	9
Inactive employees entitled to benefits but not yet receiving them	0
Active employees entitled to benefits but not yet receiving them	0
Total Members	9

The Plan provides for the full cost of lifetime health and dental insurance premiums for retirees and their designated beneficiaries. Members do not contribute any amount to receive the benefit.

As of June 30, 2016, the plan has nine active retirees and is closed to new entrants.

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued):

Management estimates the net OPEB obligation to be \$1,870,972 at June 30, 2016. Management estimates the plan was 0% funded as of June 30, 2016.

Assumptions:

Management has elected to apply the alternative measurement method in which, an actuarial valuation is not required. The following assumptions were used by management to arrive at the net OPEB obligation: discount rate (3.50%), investment rate of return (5.50%), average salary increase (3.50%), health care trend rate (5.00% increasing annually), and the average life expectancy rate (84 years for males, 86 years for females). These assumptions are comparable to those applied in the calculation of OPEB for other similar entities.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2016	\$110,287	100%	\$1,870,972

**This schedule is designed to be reported as a three-year trend schedule. It will be built prospectively as information becomes available.*

NOTE 13 - COMPENSATED ABSENCES

During the year, employees of the Fire District receive compensation for certain types of absences such as vacation, sick, bereavement, personal time, and holidays. Employees are able to accumulate hours for only sick and vacation leave and up to the limit specified their employment contract.

As of June 30, 2016, the liability for accrued sick and vacation leave was approximately \$924,633.

NOTE 14 - INCOME TAXES

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

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 15 – FUND BALANCES/NET POSITION

Fiscal year 2015 marked the end of the four former fire districts; Valley Falls, Cumberland, Cumberland Hill, and North Cumberland. At the beginning of fiscal year 2016, these four districts merged into one consolidated fire district. In May of 2015, the consolidated district levied taxes and began tax collections of its 2016 operations. Reconciliations of overlapping activity affecting fund balances are as follows:

Governmental Funds – Fund Balance:

Sum of fund balances as reported on old districts' 6/30/2015 reports	\$ 644,847
Fund Balance of new district's FY15 operations	(107,172)
Deposits in old districts' cash accounts subsequent to FY15 but prior to transfer, not recorded on new Quickbooks nor accrued back in 6/30/2015 report	40,848
Expenses paid on old districts' cash accounts subsequent to FY15 but prior to transfer, not recorded on new Quickbooks nor accrued back in 6/30/2015	<u>(36,637)</u>
Adjusted fund balance at 6/30/2015	<u>\$ 541,886</u>

Government Wide – Net Position:

Sum of net positions as reported on old districts' 6/30/2015 reports	\$(3,752,752)
Adjustment for deferred inflows relating to pensions not captured in 6/30/2015 reports	661,289
Adjustment for deferred outflows relating to pensions not captured in 6/30/2015 reports	(961,436)
Adjustment for beginning net OPEB obligation not captured in 6/30/2015 reports	(1,870,972)
Adjustment on governmental funds that should be carried forward to government-wide statements	102,959
Adjustment for items not captured on governmental funds at 6/30/2015	<u>(20,709)</u>
Adjusted fund balance at 6/30/2015	<u>\$ (5,841,623)</u>

CUMBERLAND FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE 16 – SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through February 1, 2017, the date the financial statements were available to be issued. There are no subsequent events requiring disclosure.

Required Supplementary Information

**CUMBERLAND FIRE DISTRICT
STATEMENT OF REVENUE AND EXPENDITURES
GENERAL FUND
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
General Revenues			
Property taxes	\$ 7,363,011	\$ 7,367,873	\$ 4,862
Interest on taxes	-	97,414	97,414
Interest earned	-	13,160	13,160
Miscellaneous income	-	313,483	313,483
Total revenue	<u>\$ 7,363,011</u>	<u>\$ 7,791,930</u>	<u>428,919</u>
Expenditures			
Fire and rescue expenses:			
Personnel services	\$ 6,187,697	\$ 6,559,791	\$ (372,094)
Materials and services			
Equipment and supplies	128,500	92,343	36,157
Maintenance and repairs	144,250	141,274	2,976
Operations	352,814	374,148	(21,334)
Clothing	500	46,941	(46,441)
Training	41,550	20,080	21,470
Insurance	310,000	199,844	110,156
Utilities & services	77,600	65,182	12,418
Interest	-	5,683	(5,683)
Principal paid on note	-	152,228	(152,228)
Total expenditures	<u>\$ 7,242,911</u>	<u>\$ 7,657,514</u>	<u>\$ (414,603)</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>\$ 120,100</u>	<u>\$ 134,416</u>	<u>\$ 14,316</u>
Other financing sources (uses)			
Gain on sale of asset	\$ -	\$ 20,100	\$ 20,100
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 20,100</u>	<u>\$ 20,100</u>
Excess of revenue over (under) expenditures and other financing sources - Budget basis	<u>\$ 120,100</u>	<u>\$ 154,516</u>	<u>\$ 34,416</u>
Add:			
Reservations not considered expenses for GAAP purposes		-	
Excess of revenue over (under) expenditures and other financing sources - GAAP basis		<u>\$ 154,516</u>	

CUMBERLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

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

Valley Falls Fire District Plan

Measurement period ending June 30,	Last 10 Fiscal Years (to be built prospectively)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Pension Liability										
Service Cost	\$ 127,997	\$ 114,280								
Interest on the Total Pension Liability	302,915	294,488								
Benefit Changes	79,038	-								
Difference Between Expected and Actual Experience	23,929	-								
Assumption Changes	-	(38,933)								
Benefit Payments	(248,191)	(280,489)								
Net Change in Total Pension Liability	285,688	89,346								
Total Pension Liability - Beginning	4,098,961	4,009,615								
Total Pension Liability - Ending (a)	\$ 4,384,649	\$ 4,098,961								
Plan Fiduciary Net Position										
Employer Contributions	\$ 146,982	\$ 102,119								
Employee Contributions	57,033	52,114								
Pension Plan Net Investment Income	78,068	439,591								
Benefit Payments	(248,191)	(280,489)								
Pension Plan Administrative Expense	(3,133)	(2,753)								
Other Changes in Plan Fiduciary Net Position	1	-								
Net Change in Plan Fiduciary Net Position	30,760	310,582								
Plan Fiduciary Net Position - Beginning	3,300,510	2,989,928								
Plan Fiduciary Net Position - Ending (b)	\$ 3,331,270	\$ 3,300,510								
Net Pension Liability/(Asset) - Ending (a) - (b)	1,053,379	798,451								
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.98%	80.52%								
Covered Employee Payroll	\$ 814,750	\$ 744,492								
Net Pension Liability as a Percentage of Covered Employee Payroll	129.29%	107.25%								

**CUMBERLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

SCHEDULE OF CONTRIBUTIONS MULTIYEAR
Valley Falls Fire District Plan

	Last 10 Fiscal Years (to be built prospectively)									
Fiscal Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 118,425	\$ 146,982								
Contributions in relation to the actuarially determined contribution	\$ 118,425	\$ 146,982								
Contribution deficiency (excess)	\$ -	\$ -								

Covered-employee payroll \$ 843,266 \$ 770,549

Contributions as a percentage of covered-employee pay 14.04% 19.07%

Notes:

- 1.) Employers participating in the Municipal Employee's Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.
- 2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

	Notes to Schedule
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	21 years
Inflation	2.75%
Salary Increases	General Employees - 3.50% to 7.50%
Investment rate of return	Police & Fire Employees - 4.00% to 14.00%
Retirement age	7.50%
	Varies depending on Years of Service and Age
	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.
Mortality	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.

CUMBERLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

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

Cumberland Fire District Plan

Last 10 Fiscal Years (to be built prospectively)

Measurement period ending June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Pension Liability										
Service Cost	\$ 136,569	\$ 130,272								
Interest on the Total Pension Liability	357,824	342,948								
Benefit Changes	160,807	-								
Difference Between Expected and Actual Experience	64,598	-								
Assumption Changes		(36,180)								
Benefit Payments	(241,786)	(241,902)								
Net Change in Total Pension Liability	478,012	195,138								
Total Pension Liability - Beginning	4,823,596	4,628,458								
Total Pension Liability - Ending (a)	\$ 5,301,608	\$ 4,823,596								
Plan Fiduciary Net Position										
Employer Contributions	\$ 160,842	\$ 103,330								
Employee Contributions	58,486	55,515								
Pension Plan Net Investment income	88,119	492,534								
Benefit Payments	(241,786)	(241,902)								
Pension Plan Administrative Expense	(3,535)	(3,084)								
Other Changes in Plan Fiduciary Net Position	1	1								
Net Change in Plan Fiduciary Net Position	62,127	406,394								
Plan Fiduciary Net Position - Beginning	3,698,014	3,291,620								
Plan Fiduciary Net Position - Ending (b)	\$ 3,760,141	\$ 3,698,014								
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 1,541,467	\$ 1,125,582								
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	70.92%	76.67%								
Covered Employee Payroll	\$ 731,095	\$ 704,935								
Net Pension Liability as a Percentage of Covered Employee Payroll	210.84%	159.67%								

**CUMBERLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

SCHEDULE OF CONTRIBUTIONS MULTIYEAR
Cumberland Fire District Plan

	Last 10 Fiscal Years (to be built prospectively)									
Fiscal Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 198,556	\$ 199,364								
Contributions in relation to the actuarially determined contribution	\$ 198,556	\$ 199,364								
Contribution deficiency (excess)	\$ -	\$ -								
Covered-employee payroll	\$ 756,683	\$ 729,608								
Contributions as a percentage of covered-employee payroll	26.24%	27.32%								

Notes:

- 1.) Employers participating in the Municipal Employee's Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.
- 2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

Notes to Schedule	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	21 years
Inflation	2.75%
Salary increases	General Employees - 3.50% to 7.50% Police & Fire Employees - 4.00% to 14.00%
Investment rate of return	7.50%
Retirement age	Varies depending on Years of Service and Age
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.

CUMBERLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

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

Cumberland Hill Fire District Plan

Last 10 Fiscal Years (to be built prospectively)

Measurement period ending June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Pension Liability										
Service Cost	\$ 124,042	\$ 118,487								
Interest on the Total Pension Liability	428,776	418,644								
Benefit Changes	320,823	-								
Difference Between Expected and Actual Experience	59,914	-								
Assumption Changes	-	(41,794)								
Benefit Payments	(362,951)	(363,076)								
Net Change in Total Pension Liability	570,604	132,261								
Total Pension Liability - Beginning	5,836,474	5,704,213								
Total Pension Liability - Ending (a)	\$ 6,407,078	\$ 5,836,474								
Plan Fiduciary Net Position										
Employer Contributions	\$ 198,869	\$ 74,288								
Employee Contributions	59,565	54,774								
Pension Plan Net Investment Income	93,010	530,637								
Benefit Payments	(362,951)	(363,076)								
Pension Plan Administrative Expense	(3,767)	(3,323)								
Other Changes in Plan Fiduciary Net Position	I	-								
Net Change in Plan Fiduciary Net Position	(15,273)	293,300								
Plan Fiduciary Net Position - Beginning	3,984,097	3,690,797								
Plan Fiduciary Net Position - Ending (b)	\$ 3,968,824	\$ 3,984,097								
Net Pension Liability/(Asset) - Ending (a) - (b)	2,438,254	1,852,377								
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	61.94%	68.26%								
Covered Employee Payroll	\$ 744,549	\$ 721,162								
Net Pension Liability as a Percentage of Covered Employee Payroll	327.48%	256.86%								

**CUMBERLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

SCHEDULE OF CONTRIBUTIONS MULTIYEAR
Cumberland Hill Fire District Plan

	Last 10 Fiscal Years (to be built prospectively)									
Fiscal Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 219,999	\$ 151,278								

Contributions in relation to the actuarially determined contribution

\$ 219,999 \$ 151,278

Contribution deficiency (excess)

\$ - \$ -

Covered-employee payroll

\$ 770,609 \$ 746,402

Contributions as a percentage of covered-employee payroll

28.55% 20.27%

Notes:

- 1.) Employers participating in the Municipal Employee's Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.
- 2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

Notes to Schedule	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	21 years
Inflation	2.75%
Salary increases	General Employees - 3.50% to 7.50%
Investment rate of return	Police & Fire Employees - 4.00% to 14.00%
Retirement age	7.50%
	Varies depending on Years of Service and Age
	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.
Mortality	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.

**CUMBERLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

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

North Cumberland Fire District Plan

Last 10 Fiscal Years (to be built prospectively)

Measurement period ending June 30,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Pension Liability											
Service Cost	\$ 139,487	\$ 134,277									
Interest on the Total Pension Liability	393,248	372,770									
Benefit Changes	184,673	-									
Difference Between Expected and Actual Experience	197,294	-									
Assumption Changes	-	(34,033)									
Benefit Payments	(196,658)	(208,505)									
Net Change in Total Pension Liability	718,044	264,509									
Total Pension Liability - Beginning	5,271,896	5,007,387									
Total Pension Liability - Ending (a)	5,989,940	\$ 5,271,896									
Plan Fiduciary Net Position											
Employer Contributions	\$ 154,596	\$ 105,004									
Employee Contributions	58,393	56,475									
Pension Plan Net Investment Income	106,915	591,786									
Benefit Payments	(196,658)	(208,505)									
Pension Plan Administrative Expense	(4,288)	(3,706)									
Other Changes in Plan Fiduciary Net Position	1	68,883									
Net Change in Plan Fiduciary Net Position	118,959	609,937									
Plan Fiduciary Net Position - Beginning	4,443,208	3,833,271									
Plan Fiduciary Net Position - Ending (b)	4,562,167	\$ 4,443,208									
Net Pension Liability/(Asset) - Ending (a) - (b)	1,427,773	828,688									
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.16%	84.28%									
Covered Employee Payroll	\$ 729,917	\$ 707,091									
Net Pension Liability as a Percentage of Covered Employee Payroll	195.61%	117.20%									

**CUMBERLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

SCHEDULE OF CONTRIBUTIONS MULTIYEAR
North Cumberland Fire District Plan

	Last 10 Fiscal Years (to be built prospectively)									
Fiscal Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 144,687	\$ 163,312								
Contributions in relation to the actuarially determined contribution	\$ 144,687	\$ 163,312								
Contribution deficiency (excess)	\$ -	\$ -								
Covered-employee payroll	\$ 755,464	\$ 731,839								
Contributions as a percentage of covered-employee payroll	19.15%	22.32%								

Notes:

- 1.) Employers participating in the Municipal Employee's Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.
- 2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

Notes to Schedule	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	21 years
Inflation	2.75%
Salary increases	General Employees - 3.50% to 7.50% Police & Fire Employees - 4.00% to 14.00%
Investment rate of return	7.50%
Retirement age	Varies depending on Years of Service and Age
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.

**CUMBERLAND FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

**SCHEDULE OF OTHER POST-EMPLOYMENT BENEFITS (OPEB)
Funding Progress**

For the Year Ended June 30, 2016

Schedule of Funding Progress

<u>Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability</u>	<u>Funding Excess (Deficit)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Funding Excess (Deficit as a Percentage of Covered Payroll)</u>
6/30/2016	\$ -	\$ 1,870,972	\$ (1,870,972)	0%	N/A	N/A

** This is a five-year schedule to be built prospectively. Data presented was calculated by management using the alternative measurement method.*

Auditors' Report as Required by
Governmental Auditing Standards

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Fire Committee
Cumberland Fire District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of The Cumberland Fire District (District), as of and for the year fiscal ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 1, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Parmelee, Poirier & Associates, LLP
Warwick, Rhode Island
February 1, 2017