

**Cumberland Fire District**  
ANNUAL FINANCIAL STATEMENTS  
*FOR THE YEAR ENDED JUNE 30, 2020*

**Cumberland Fire District**

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*For the Year Ended June 30, 2020*

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***FINANCIAL SECTION***

Independent Auditor's Report  
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Independent Auditors' Report on Internal Control

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To the Honorable Fire Committee  
Cumberland Fire District  
Cumberland, Rhode Island

## *Independent Auditor's Report*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cumberland Fire District ("District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Fire 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, each major fund, and the aggregate remaining fund information of the Cumberland Fire District as of June 30, 2020, and the respective changes in financial position for the year then ended in conformity 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, Budgetary Comparison Information, various Pension information for Employees' Retirement System of the State of Rhode Island and Other Post-Employment Benefits as listed in the table of contents 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 Tax Collector's Annual Report is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Tax Collector's Annual Report is the responsibility of management and was 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 Tax Collector's Annual Report is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2021 on our consideration of the Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fire District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fire District's internal control over financial reporting and compliance.

*Hague, Sahady & Co., CPAs, P.C.*

Hague, Sahady & Co., CPAs, P.C.  
Fall River, Massachusetts  
January 8, 2021

# CUMBERLAND FIRE DISTRICT

## Management's Discussion and Analysis

*For the Year Ended June 30, 2020*

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As management of the Cumberland Fire District, we offer readers of the Cumberland Fire District's ("District") financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

This discussion and analysis is intended to serve as an introduction to the District's annual audit report. The financial section of this report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information and supplementary information.

### ORGANIZATIONAL HIGHLIGHTS

The previous merger of the four separate Cumberland Fire Stations created one cohesive group which is working well together to serve the Town of Cumberland. The management group continues to work together to create more efficiencies and improvements in operations.

### FINANCIAL HIGHLIGHTS

#### ***Government-Wide Financial Statements:***

- The District realized a change in net position in 2020 of a decrease of \$926 thousand compared to a decrease in 2019 of \$1.0 million, primarily due to an increase in both pension and OPEB liabilities.
- A significant portion of the District's net position reflects \$1.4 million invested in capital assets, which was \$103 thousand less than the prior year due to current year depreciation expense.
- In fiscal year 2020, the District had revenues totaling \$8.1 million compared to \$8.6 million in revenues in fiscal year 2019. The major source of revenue was property taxes, which totaled \$7.6 million compared to \$8.1 million in fiscal year 2019.

#### ***Governmental Fund Financial Statements:***

- In fiscal year 2020, the District has approximately \$8.0 million in expenditures related to governmental funds as compared to \$8.5 million in expenditures in fiscal year 2019. The majority of expenditures were charged to personnel services which totaled \$6.7 million in the current year compared to \$7.0 million in the prior year.
- The District's unassigned net position was \$265,618, which was 3.16% of the budgeted expenditures for fiscal year 2020.

# CUMBERLAND FIRE DISTRICT

## Management's Discussion and Analysis

*For the Year Ended June 30, 2020*

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### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and supplementary information in addition to the basic financial statements themselves.

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.

#### ***Government-wide financial statements -***

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or position.

The *Statement of Net Position* presents information on all of the District's assets, liabilities with the difference 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 showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as 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 future fiscal periods (e.g., uncollected fees and earned but unused compensated absences).

The government-wide financial statements are reported on pages 13 through 15.

#### ***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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary and fiduciary funds.

The fund financial statements are reported on pages 16 through 19.

## CUMBERLAND FIRE DISTRICT

### Management's Discussion and Analysis

*For the Year Ended June 30, 2020*

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**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 near-term inflows 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 the District'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 impact of the District's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement 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, expenditure, 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.

The governmental fund financial statements can be found on pages 16 through 19 of this report. The budgetary statements can be found on pages 46 through 47 of this report.

**Fiduciary funds.** The District has no fiduciary funds at this time.

**Proprietary funds.** The District has no proprietary funds at this time.

#### ***Notes to the 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 follow the basic financial statements. The notes of the financial statements are presented on pages 20 through 44.

#### ***Required Supplementary Information -***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process and certain pension and other post-employment benefit information. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund as required supplementary information. The pension information included represents the state pension for employees. Budgetary comparison schedules are presented to demonstrate compliance with the budget on pages 46 through 47. Pension and OPEB related schedules are presented on pages 48 through 56.

#### ***Supplementary Information -***

In addition to the basic financial statements, accompanying notes, and required supplementary information, this report includes an annual tax collector's report. Supplementary information schedules are presented on pages 58 through 59.

# CUMBERLAND FIRE DISTRICT

## Management's Discussion and Analysis

*For the Year Ended June 30, 2020*

### Relationship of Statements and Schedules Included in this Report

Table 1 below summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1**

Scope	Government-Wide Statements	Fund Statements Governmental Funds
	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary.
Required financial statements	Statements of net position Statement of activities	Balance sheet, statement of revenues, expenditures, and changes in fund balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of assets / liability information	All assets and liabilities both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included.
Type of inflow / outflow information	All revenue and expenses during the year regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of year, expenditures when goods or services have been received and payment is due.

### 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 and deferred inflows of resources exceeded assets and deferred outflows of resources by \$215,340 as of June 30, 2020, a decrease in net position of \$925,758 over the prior year's accumulated surplus of \$710,418. The reduction of net position within the government wide balance sheet is primarily due to pension and OPEB.

At year end, the District had tax receivables due to a levy on June 1<sup>st</sup> (near year-end) of \$8,499,932 (73% of total assets) and cash totaling \$1,815,485 (15% of total assets) that are unrestricted, and available for use within the District's policies. The next largest portion \$1,382,554 (12% of total assets) 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 \$30,394 of 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.

## CUMBERLAND FIRE DISTRICT

### Management's Discussion and Analysis

For the Year Ended June 30, 2020

The District's liabilities consist of trade payable and accrued expenses of \$161,235 (approx. 1% of total liabilities) usually paid within 30 to 60 days from invoice date. Long term liabilities consisted of notes payable, compensated absences, other post-employment benefits and net pension liability. The benefits are to be paid out sometime in the future to retirees from the District. These amounts will change annually based upon actuarial information.

### DISTRICT'S NET POSITION

June 30,

	Governmental Activities		
	2020	2019	\$ Change
<b>Assets</b>			
Current assets, net	\$ 10,337,586	\$ 10,143,208	\$ 194,378
Capital assets, net	1,382,554	1,486,547	(103,993)
Total assets	11,720,140	11,629,755	90,385
<b>Deferred outflows of resources</b>			
Deferred outflows - pension	2,506,920	2,301,629	205,291
Total deferred outflows of resources	2,506,920	2,301,629	205,291
<b>Liabilities</b>			
Current liabilities	680,670	640,742	39,928
Non-current liabilities	12,911,728	12,229,510	682,218
Total liabilities	13,592,398	12,870,252	722,146
<b>Deferred inflows of resources</b>			
Unearned revenue - other	10,672	33,307	(22,635)
Deferred inflows - pension	839,330	317,407	521,923
Total deferred inflows of resources	850,002	350,714	499,288
<b>Net position</b>			
Net investment in capital assets	1,352,160	1,448,395	(96,235)
Unrestricted	(1,567,500)	(737,977)	(829,523)
Total net position	\$ (215,340)	\$ 710,418	\$ (925,758)

### 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, 2020. Governmental activities decreased the District's net position by \$(925,758). The change is primarily attributed to increases in both pension and net OPEB obligations.

**CUMBERLAND FIRE DISTRICT**

Management's Discussion and Analysis

*For the Year Ended June 30, 2020*

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**DISTRICT'S CHANGES IN NET POSITION**

*For the year ended June 30,*

	<b>Governmental Activities</b>		
	<b>2020</b>	<b>2019</b>	<b>\$ Change</b>
<b>Revenues</b>			
Program revenues			
Grants and contributions	\$ 144,856	\$ 26,342	\$ 118,514
General revenues			
Property taxes	7,553,366	8,061,231	(507,865)
Investment earnings	13,307	10,857	2,450
Miscellaneous fees	434,757	496,641	(61,884)
Total revenues	<u>8,146,286</u>	<u>8,595,071</u>	<u>(448,785)</u>
<b>Expenses</b>			
Personnel services	7,675,063	8,151,898	(476,835)
Materials and services	1,393,343	1,440,468	(47,125)
Interest expense	3,638	3,344	294
Total expenses	<u>9,072,044</u>	<u>9,595,710</u>	<u>(523,960)</u>
Increase (decrease) in net position	(925,758)	(1,000,639)	74,881
Net position - beginning	<u>710,418</u>	<u>1,711,057</u>	<u>(1,000,639)</u>
Net position, ending	<u>\$ (215,340)</u>	<u>\$ 710,418</u>	<u>\$ (925,758)</u>

**CUMBERLAND FIRE DISTRICT**  
Management's Discussion and Analysis  
*For the Year Ended June 30, 2020*

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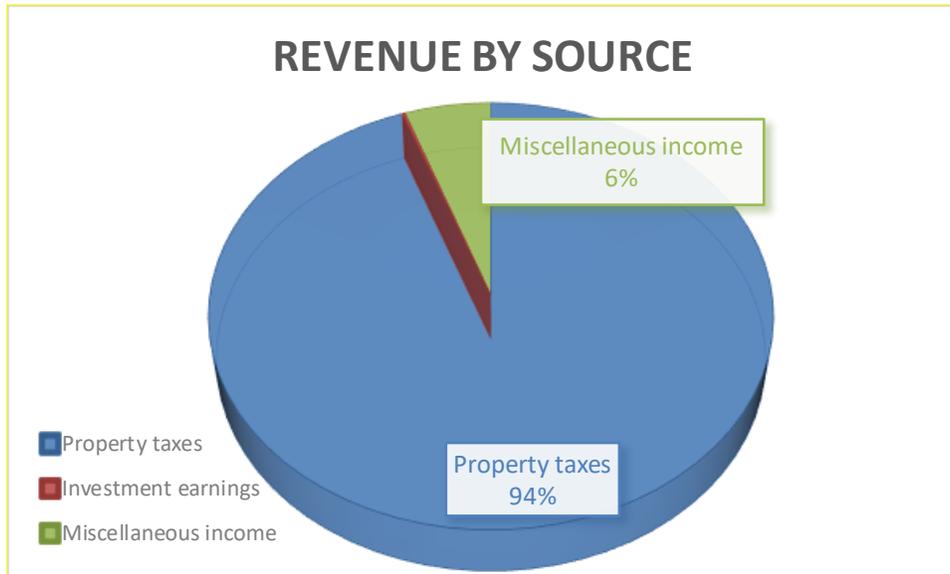
***Financial Analysis of the Cumberland Fire District's Funds***

**REVENUES**

**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 \$265,618 which is entirely categorized as unassigned at this time.

**Governmental Activities -** As noted above, total governmental activities revenues for the District are comprised of property taxes, investment earnings, and miscellaneous revenues.



***General Revenues***

The majority of general revenues is from property taxes. This amount represents 94% of the total general revenues or \$7.6 million.

Miscellaneous income of \$435 thousand represents 6% of general revenues.

Investment earnings of \$13 thousand represents less than 1%.

***Program Revenues***

Program revenues of \$145 thousand related to the Staffing for Adequate Fire and Emergency Response federal grant, which assists the District in increasing the number of trained, "front-line" firefighters available.

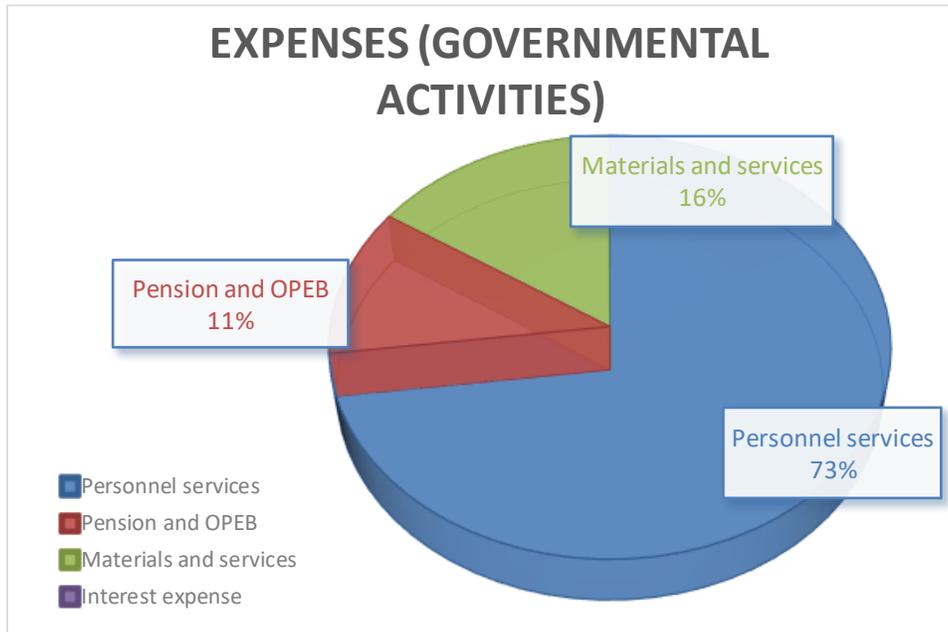
**CUMBERLAND FIRE DISTRICT**  
Management's Discussion and Analysis  
*For the Year Ended June 30, 2020*

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**EXPENSES**

**Governmental Activities**

For fiscal year ended June 30, 2020, expenses for the governmental activities totaled \$9.1 million, which cover a range of emergency services to the Town of Cumberland, Rhode Island.



The majority of expenses were from personnel services. This amount represented 73% of the total expenses or \$6.5 million. Furthermore, pension and OPEB represent \$1.0 million and 11% of total expenses.

Materials and services expenses of \$1.4 million represented 15% of expenses.

Interest expense of \$4 thousand represented less than 1% of expenses.

**BUDGETARY HIGHLIGHTS**

The Finance Director and Chief of Department is responsible for preparing the proposed annual operating budget. The annual budget, including the annual payment to contingency fund shall be adequately funded by the adoption of a tax rate by the members. The Fire Committee shall make provisions for no less than two public hearings thereon, to be held on separate days, and to be concluded no later than the first Monday in June.

General Fund. The major differences between the final budget and the final actual amounts are briefly summarized below:

- Receipts for property taxes were favorable by \$78 thousand compared to the budget due to timing of receipts.
- Total fire and rescue expenditures were favorable by \$588 thousand. This was primarily due to no charges against the “general reserve“ and ‘deficit reduction” accounts, along with a \$140,809 favorable variance to “contracted salaries,” as the SAFER grant covered salaries of approximately this amount.

## CUMBERLAND FIRE DISTRICT

### Management's Discussion and Analysis

For the Year Ended June 30, 2020

#### CAPITAL ASSETS

The Cumberland Fire District's investment in capital assets for its governmental activities amounts to \$1,382,554, net of accumulated depreciation at June 30, 2020. Included are land, building and improvements, motor vehicles, furniture and fixtures, and equipment. See Note 6 for additional details.

	Governmental	
	2020	2019
Land	\$ 779,800	\$ 779,800
Building and improvements	1,580,727	1,580,727
Vehicles	2,762,515	2,776,066
Furniture and fixtures	27,105	27,105
Equipment	<u>627,738</u>	<u>627,738</u>
	<u>5,777,885</u>	<u>5,791,436</u>
Depreciation:		
Building and improvements	(1,338,770)	(1,297,199)
Vehicles	(2,455,081)	(2,418,056)
Furniture and fixtures	(25,322)	(23,626)
Equipment	<u>(576,158)</u>	<u>(566,008)</u>
	<u>(4,395,331)</u>	<u>(4,304,889)</u>
Capital assets, net	<u>\$ 1,382,554</u>	<u>\$ 1,486,547</u>

#### LONG-TERM LIABILITIES

The long-term liabilities relate to other post-employment benefits, health insurance, and net pension liability. Additional information regarding the District's long-term liabilities can be found in Note 8.

	Governmental	
	2020	2019
Capital lease	\$ -	\$ -
Note payable	30,394	\$ 38,152
Compensated absences	417,027	426,091
Net OPEB liability	3,564,285	3,162,324
MERS - net pension liability	<u>8,919,457</u>	<u>8,622,927</u>
Total long-term liabilities	<u>\$ 12,931,163</u>	<u>\$ 12,249,494</u>

## **CUMBERLAND FIRE DISTRICT**

### Management's Discussion and Analysis

*For the Year Ended June 30, 2020*

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#### **ECONOMIC FACTORS**

The Cumberland Fire District continues to level fund the budget and increase taxes annually by the maximum allowable four percent. With the largest expense being labor, the District worked with the union and entered into a new three-year Collective Bargaining Agreement to include cost saving measures, effective July 1, 2019. It is anticipated that combined savings will allow the District to build a reserve account that will ensure it remains fiscally stable.

#### **Request 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***

**CUMBERLAND FIRE DISTRICT**

Statement of Activities

June 30, 2020

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
<i>Current Assets:</i>	
Cash and cash equivalents	\$ 1,815,485
Receivables, net:	
Property taxes	8,499,932
Other receivables	<u>22,169</u>
<i>Total Current Assets</i>	<u>10,337,586</u>
<i>Non-Current Assets:</i>	
Capital assets:	
Non-depreciable	779,800
Depreciable, net	<u>602,754</u>
<i>Total Non-Current Assets</i>	<u>1,382,554</u>
 Total assets	 <u>11,720,140</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pension	<u>2,506,920</u>
 Total deferred outflows of resources	 <u>2,506,920</u>
 Total assets and deferred outflows of resources	 <u>\$ 14,227,060</u>

**CUMBERLAND FIRE DISTRICT**

Statement of Activities

June 30, 2020

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	<b>Governmental Activities</b>
<b>LIABILITIES</b>	
<b><i>Current Liabilities:</i></b>	
Accounts payable and accrued expenses	\$ 161,235
TANs payable	500,000
Long-term liabilities:	
Portion due or payable within one year:	
Notes payable	7,758
Compensated absences	11,677
<i>Total Current Liabilities</i>	<u>680,670</u>
<b><i>Non-Current Liabilities:</i></b>	
Portion due or payable in more than one year:	
Notes payable	22,636
Compensated absences	405,350
Net OPEB liability (NOL)	3,564,285
Net pension liability (NPL)	8,919,457
<i>Total Non-Current Liabilities</i>	<u>12,911,728</u>
Total liabilities	<u>13,592,398</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue - other	10,672
Deferred inflows - pension	839,330
Total deferred inflows of resources	<u>850,002</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,352,160
Unrestricted	<u>(1,567,500)</u>
<i>Total net position</i>	<u>(215,340)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 14,227,060</u>

**CUMBERLAND FIRE DISTRICT**

Statement of Activities

*June 30, 2020*

		<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
				<u>Primary Government</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>					
Personnel services	\$ 6,659,940	\$ -	\$ 144,856	\$ -	\$ (6,515,084)
Material and services	1,393,343	-	-	-	(1,393,343)
Pension Expense	613,162	-	-	-	(613,162)
OPEB Expense	401,961	-	-	-	(401,961)
Interest expense	<u>3,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,638)</u>
Total governmental activities	<u>\$ 9,072,044</u>	<u>\$ -</u>	<u>\$ 144,856</u>	<u>\$ -</u>	<u>\$ (8,927,188)</u>
			<b>General revenues</b>		
			Property taxes		7,553,366
			Investment earnings		13,307
			Miscellaneous		<u>434,757</u>
			Total general revenues		<u>8,001,430</u>
			<i>Changes in net position</i>		(925,758)
			Net position - beginning of year		<u>710,418</u>
			Net position - end of year		<u>\$ (215,340)</u>

**CUMBERLAND FIRE DISTRICT**

Governmental Funds

Balance Sheet

*June 30, 2020*

	<b>Major Fund</b>	<b>Non-Major</b>	<b>Total</b>
	<b>General</b>	<b>Governmental</b>	<b>Governmental</b>
	<b>Fund</b>	<b>Funds</b>	<b>Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,815,485	\$ -	\$ 1,815,485
Receivables:			
Taxes receivable	8,499,932	-	8,499,932
Other receivables	22,169	-	22,169
Total assets	10,337,586	-	10,337,586
<b>Deferred outflows of resources</b>			
None	-	-	-
Total deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	\$ 10,337,586	\$ -	\$ 10,337,586
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 161,236	\$ -	\$ 161,236
TANs payable	500,000	-	500,000
Total liabilities	661,236	-	661,236
<b>Deferred inflows of resources</b>			
Unearned revenue - other	10,672	-	10,672
Advance tax collections	970,065	-	970,065
Unearned revenue - property tax	8,429,995	-	8,429,995
Total deferred inflows of resources	9,410,732	-	9,410,732
<b>Fund balance</b>			
Unassigned	265,618	-	265,618
Total fund balance	265,618	-	265,618
Total liabilities, deferred inflows of resources, and fund balance	\$ 10,337,586	\$ -	\$ 10,337,586

The accompanying notes are an integral part of this statement

**CUMBERLAND FIRE DISTRICT**

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2020

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Total governmental fund balances	\$	265,618
Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, net accumulated depreciation		1,382,554
Other long-term assets related to net pension activity and therefore are deferred outflows of resources in the funds.		
		2,506,920
Other long-term liabilities related to net pension activity and therefore are deferred inflows of resources in the funds.		
		(839,330)
Other deferred taxes are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.		
		9,400,061
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds.		
Notes payable		(30,394)
Net pension liability (NPL)		(8,919,457)
Compensated absences		(417,027)
Net OPEB liability (NOL)		<u>(3,564,285)</u>
Net position of governmental activities	\$	<u><u>(215,340)</u></u>

**CUMBERLAND FIRE DISTRICT**

Governmental Funds

Statement of Revenue, Expenditures and Changes in Fund Balance

*For the Year Ended June 30, 2020*

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	<u>Major Fund</u>	<u>Non-Major</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>Revenues</b>			
Property taxes	\$ 8,014,046	\$ -	\$ 8,014,046
Investment earnings	13,307	-	13,307
Intergovernmental	-	144,856	144,856
Miscellaneous	434,757	-	434,757
	<hr/>	<hr/>	<hr/>
Total revenue	8,462,110	144,856	8,606,966
<b>Expenditures</b>			
Public safety - fire protection and rescue:			
Personnel services	6,524,148	144,856	6,669,004
Materials and services	1,278,436	-	1,278,436
Capital related items	10,995	-	10,995
Debt service:			
Principal	7,677	-	7,677
Interest	3,638	-	3,638
	<hr/>	<hr/>	<hr/>
Total expenditures	7,824,894	144,856	7,969,750
Excess (deficiency) of revenues over expenditures			
	637,216	-	637,216
Fund balance, beginning of the year			
	<hr/>	<hr/>	<hr/>
Fund balance, end of the year	(371,598)	-	(371,598)
	<hr/>	<hr/>	<hr/>
Fund balance, end of the year	<u>\$ 265,618</u>	<u>\$ -</u>	<u>\$ 265,618</u>

**CUMBERLAND FIRE DISTRICT**

Governmental Funds

Reconciliation of the Governmental Statement of Revenues, Expenditures and Changes in Fund Balance to  
Government-Wide Statement of Activities

*For the Year Ended June 30, 2020*

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Net change in fund balances - total governmental funds	\$ 637,216
Governmental funds report 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 capital outlays exceeded depreciation in the current period.	(103,993)
Changes in deferred outflows and deferred inflows related to the state pension plan which are deferred and amortized over multiple years through pension expense.	(316,632)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	7,758
The other postemployment benefit expense reported in the Statement of Activities requires the use of current financial resources and is not reported as an expenditure in the governmental funds.	(401,961)
Expenses reported in the Statement of Activities for net pension liability do not require the current financial resources, and therefore, are not reported as expenditures in the governmental funds.	(296,530)
Reductions in deferred revenues that provide current financial resources to governmental funds are not reported as revenues in the Statement of Activities.	(460,680)
Expenses reported in the Statement of Activities for compensated absences do not require the current financial resources, and therefore, are not reported as expenditures in the governmental funds.	<u>9,064</u>
Change in net position of governmental activities	<u>\$ (925,758)</u>

# CUMBERLAND FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2020

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### Note 1 - Summary of Significant Accounting Policies

The financial statements of the Cumberland Fire District ("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.

#### *Financial Reporting Entity*

The Cumberland Fire District, Cumberland, Rhode Island 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.

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 balances, revenues and expenses or expenditures. The District uses the General Fund to report the operating fund of the general government activities.

#### *Measurement Focus and Basis of Accounting*

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### *Basis of Presentation*

##### *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 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 received operating grants and contributions of \$145 thousand in 2020.

##### *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.

# CUMBERLAND FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2020

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### Note 1 - Summary of Significant Accounting Policies (continued)

#### *Governmental Fund Financial Statements (continued)*

The District reports primarily 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.

All governmental funds are accounted for using the "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 sheet. 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.

An emphasis is placed on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or meets both of the following criteria:

- (a) Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total for all funds of that category or type; and
- (b) Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least five percent (5%) of the corresponding total for all governmental and enterprise funds combined.

The only major fund of the District is the General Fund. All remaining governmental funds are aggregated and reported as non-major funds. The District's non-major fund presented in 2020 represents activities from special revenues related to the Staffing for Adequate Fire and Emergency Response (SAFER) federal grant.

#### *Budgets and Budgetary Accounting*

As set forth in the Fire 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.

#### *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts and other commitments for fund expenditures and/or expense are recorded in order to reserve portions of applicable appropriations, is employed in the governmental and business-type funds. The District has not adopted an encumbrance accounting system.

# CUMBERLAND FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2020

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### Note 1 - Summary of Significant Accounting Policies (continued)

#### *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.

#### *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.

#### *Other Assets*

Other assets held are recorded and accounted for at cost.

#### *Capital Assets and Depreciation*

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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Building and improvements	10 - 40 years
Vehicles	5 - 10 years
Furniture and fixtures	5 - 10 years
Equipment	3 - 10 years

#### *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position can report a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that later date. At June 30, 2020, the District reported deferred pension outflows in the government-wide statement of net position.

# CUMBERLAND FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2020

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### Note 1 - Summary of Significant Accounting Policies (continued)

#### *Deferred Outflows/Inflows of Resources (continued)*

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2020, the District had deferred inflows related to State pension plans and other miscellaneous unearned revenues.

#### *Interfund Transactions*

Interfund activity within and among the funds of the District have been classified and reported as follows:

- Reciprocal interfund activities:
  - Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.
- Non-reciprocal interfund activities:
  - Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.
- Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.

#### *Other Post-Employment Benefits*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

#### *Pensions*

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

# CUMBERLAND FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2020

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### Note 1 - Summary of Significant Accounting Policies (continued)

#### *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.

#### *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 reported on the Governmental Fund balance Sheet are for billings or receivables not collected during the fiscal year or within 60 days subsequent to year-end.

#### *Property Taxes*

Property taxes levied during fiscal year 2020 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, 2019. Assessed values are based upon fair market value as of December 31, 2019. 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 2019. Taxes are due on quarterly on July 15<sup>th</sup>, October 15<sup>th</sup>, January 15<sup>th</sup> and April 15<sup>th</sup> and are recognized as fiscal year 2020 revenues.

Under the modified accrual basis of accounting, real estate, personal property and other excise taxes levied are recorded as receivables in the fiscal year of the levy and as revenue when collected within the current year or expected to be collected within 60 days after the end of the current year. Taxes not collected within this time period are classified as unearned revenue. Unearned revenues are those where asset recognition has been met for which revenue criteria have not been met. The government-wide financial statements recognize property tax revenue when taxes are levied net of estimated abatements and exemptions.

#### *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.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# CUMBERLAND FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2020

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### Note 1 - Summary of Significant Accounting Policies (continued)

#### *Government-Wide Financial Statements*

The Government-Wide Financial Statements utilize a net position presentation. Net position may be categorized as net investment in capital assets, restricted or unrestricted.

*Net Investment in Capital Assets* - 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.

*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. The District did not report any restrictions of net position as of June 30, 2020.

*Unrestricted Net Position* - This category represents net position of the District, not restricted for any specific project or purpose.

#### *Fund Financial Statements*

In the Governmental Fund financial statements, the fund balance that are either not available or have been earmarked for specific purposes are reported as non-spendable, restricted, committed, assigned or unassigned. At June 30, 2020, the District's entire fund balance is unassigned.

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:

*Non-spendable* - 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* - 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 fire committee is considered the commitment of funds for the line items included in the fiscal budget.

# CUMBERLAND FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2020

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### Note 1 - Summary of Significant Accounting Policies (continued)

#### *Fund Financial Statements (continued)*

*Assigned* - 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* - 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.

#### *Implementation of New Accounting Principle*

For the year ending June 30, 2020, the District implemented no new accounting pronouncements issued by the GASB, as the implementation of many upcoming GASB standards were delayed by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

#### *New Accounting Principles Not Yet Required to be Implemented*

The GASB has issued the following statements:

- GASB Statement No. 84, *Fiduciary Activities*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the potential impact that the implementation of this Statement will have on the financial statements.
- GASB Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2022. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented during fiscal year 2022. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.
- GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statement No. 14 and 61*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the potential impact that the implementation of this Statement will have on the financial statements.
- GASB Statement No. 91, *Conduit Debt Obligations*, which is required to be implemented during fiscal year 2023. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.

# CUMBERLAND FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2020

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### Note 1 - Summary of Significant Accounting Policies (continued)

- GASB Statement No. 92, *Omnibus 2020*, which is required to be implemented during fiscal year 2022. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which is required to be implemented during fiscal year 2022. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented during fiscal year 2023. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented during fiscal year 2023. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which certain paragraphs are to be implemented in 2021 and others during fiscal year 2022. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.

These pronouncements will be implemented by their respective implementation dates.

### Note 2 - 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.

In accordance with Rhode Island General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions, which do not meet minimum capital standards prescribed by federal regulators, shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity.

# CUMBERLAND FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2020

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### Note 3 – Cash, Cash Equivalents and Investments

#### *Cash and Cash Equivalents*

The District's cash deposits are maintained at a local bank and carried at cost. The carrying amount of deposits is separately displayed on the Statement of Net Position as “cash and cash equivalents”.

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 year end, the book balance of these deposits was \$1,815,485 and the bank balance was \$1,823,147 of which \$386,516 was covered by FDIC and NCUA insurance. In accordance with State law, the uninsured amount of \$1,436,632 is collateralized by the financial institution.

#### *Investments*

Investments are stated at fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District follows the guidance for fair value measurements and disclosures in accordance with GASB Statement No. 72, "Fair Value Measurement and Application".

In determining fair value, the District uses various valuation approaches, as appropriate in the circumstances. GASB Statement No. 72 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Unadjusted quoted priced in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 - Unobservable inputs for the asset or liability (supported by little or no market activity). Level 3 inputs include management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

Essential risk information regarding the District's deposits and investments is presented below.

*Custodial credit risk* - Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2020, no balance was exposed to custodial credit risk.

*Interest rate risk* - Funds held by the District are invested in accordance with the District's investment policy. This investment policy does not limit investment maturities as a means of limiting its exposure to fair value losses arising from interest rates.

*Credit risk* - The District's investment policy objective states that all financial assets held by the District shall be invested in a manner that will preserve the value and safety of capital. The District shall invest funds in order to maximize earnings and minimize risk during the period of availability of the funds. The

# CUMBERLAND FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2020

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### **Note 3 – Cash, Cash Equivalents and Investments (continued)**

#### *Investments (continued)*

District's investment policy limits investments to U.S. Treasury securities, securities of the U.S. government agencies and instrumentalities that are backed by the full faith and credit or guarantee of the U.S. government, which have a liquid market with a readily determinable market value, investment grade obligations of the State of Rhode Island, or any municipality or political subdivision of the State of Rhode Island, repurchase agreements backed by collateral, certificate of deposits, money market mutual funds whose portfolios consist of U.S. Treasury securities, U.S. agency obligations and repurchase agreements fully collateralized by such securities and governmental investment products backed by collateral consisting of U.S. Treasury and U.S. Agency securities.

*Concentration of credit risk* - The District's investment policy is not specific but states that investments shall be diversified to minimize the risk of loss that may occur due to concentration in a specific maturity, a specific issue or a specific class of securities.

There were no investments held by the Cumberland Fire District as of June 30, 2020.

### **Note 4 - Property Taxes Receivable**

Taxes were levied on June 1st and are due quarterly on July 15, October 15, January 15, and April 15. The District bills and collects its own property taxes.

For the year ended June 30, 2020, the District had a tax rate of \$1.879 per \$1,000 of the assessed valuation on December 31, 2019. Property taxes receivable as of June 30, 2020, amounted to \$8,499,932. The allowance as of June 30, 2020 totaled \$0.

In accordance with GASB Statement No. 33 receivables from imposed non-exchange revenue transactions should be recognized in the period an enforceable legal claim to the assets arise, which is the organization's levy date of June 1, 2020.

### **Note 5 – Deferred Revenue and Advanced Tax Collections**

The General fund has unearned tax revenue that is measurable but not available. These amounts are considered deferred inflows and consist of property tax receivables and unearned miscellaneous amounts. These funds total \$8,440,667 at June 30, 2020.

During the year taxpayers may pay advance on their tax billings toward future budget years where funds are not yet considered "available". Funds are considered "available" when it meets the definition of being available to the Fire District's budget year and the government's "intent" as illustrated by the voted tax rate resolution. The 12/31/2019 tax assessment and resolution was explicitly connected to the FY21 budget year, therefore in accordance with GASB Statement No. 33, advance tax collections which represented collections during FY20 were recognized of \$970,065 as of June 30, 2020.

**CUMBERLAND FIRE DISTRICT**

Notes to the Financial Statements

June 30, 2020

**Note 6 - Capital Assets**

The cost and activity of capital assets in service and related accumulated depreciation for the year ended June 30, 2020 is as follows:

	Balance, July 1, 2019	Increases	Decreases	Balance, June 30, 2020
<b>Capital assets not being depreciated</b>				
Land	\$ 779,800	\$ -	\$ -	\$ 779,800
<i>Total capital assets not being depreciated</i>	<u>779,800</u>	<u>-</u>	<u>-</u>	<u>779,800</u>
<b>Capital assets being depreciated</b>				
Building and improvements	1,580,727	-	-	1,580,727
Vehicles	2,776,066	-	13,551	2,762,515
Furniture and fixtures	27,105	-	-	27,105
Equipment	627,738	-	-	627,738
<i>Total capital assets being depreciated</i>	<u>5,011,636</u>	<u>-</u>	<u>13,551</u>	<u>4,998,085</u>
<b>Less accumulated depreciation for:</b>				
Building and improvements	1,297,199	41,571	-	1,338,770
Vehicles	2,418,056	49,914	12,889	2,455,081
Furniture and fixtures	23,626	1,696	-	25,322
Equipment	566,008	10,150	-	576,158
<i>Total accumulated depreciation</i>	<u>4,304,889</u>	<u>103,331</u>	<u>12,889</u>	<u>4,395,331</u>
<i>Total capital assets being depreciated, net</i>	<u>706,747</u>	<u>(103,331)</u>	<u>662</u>	<u>602,754</u>
<b>Total capital assets</b>	<u>\$ 1,486,547</u>	<u>\$ (103,331)</u>	<u>\$ 662</u>	<u>\$ 1,382,554</u>

**Note 7 - Short-Term Liabilities**

The Cumberland Fire District signed a \$500,000 general obligation tax anticipation notes (TAN) dated May 21, 2020. The note bears interest at a rate of 2.736% per annum on the outstanding principal balance thereof payable on maturity. The note matures on July 15 and October 15, 2020, \$250,000 at each date. Interest expense for fiscal year ended June 30, 2020 was \$3,638.

**CUMBERLAND FIRE DISTRICT**

Notes to the Financial Statements

June 30, 2020

**Note 8 - Long-Term Liabilities**

**(a) Long-Term Liability Activity**

Long-term liability activity for the year ended June 30, 2020 was as follows:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
<b>Long term debt</b>					
Notes payable	\$ 38,152	\$ -	\$ 7,758	\$ 30,394	\$ 7,758
Capital Lease	-	-	-	-	-
<i>Total long-term debt</i>	<u>\$ 38,152</u>	<u>\$ -</u>	<u>\$ 7,758</u>	<u>\$ 30,394</u>	<u>\$ 7,758</u>
<b>Other long term liabilities</b>					
Compensated absences	\$ 426,091	\$ -	\$ 9,064	\$ 417,027	\$ 11,676
Net OPEB liability	3,162,324	401,961	-	3,564,285	-
MERS - net pension liability	<u>8,622,927</u>	<u>296,530</u>	<u>-</u>	<u>8,919,457</u>	<u>-</u>
<i>Total other long term liabilities</i>	<u>12,211,342</u>	<u>698,491</u>	<u>9,064</u>	<u>12,900,769</u>	<u>11,676</u>
<i>Total long-term liabilities</i>	<u>\$ 12,249,494</u>	<u>\$ 698,491</u>	<u>\$ 16,822</u>	<u>\$ 12,931,163</u>	<u>\$ 19,434</u>

Payments on all long-term debt and other long-term liabilities that pertain to the District's governmental activities are made by the General Fund.

**(b) Debt Maturity**

Debt service requirements at June 30, 2020 were as follows:

Notes payable - Energy Improvements - Station 1 and 4

<u>Year</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Amount</u>
2021	\$ 7,758	\$ -
2022	7,758	-
2023	7,758	-
2024	<u>7,120</u>	<u>-</u>
Total	<u>\$ 30,394</u>	<u>\$ -</u>

<u>Issue</u>	<u>Date of</u> <u>Issue</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u>	<u>Balance</u> <u>7/1/19</u>	<u>New</u> <u>Issues</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/20</u>	<u>Due within</u> <u>one year</u>
Energy Improvements	6/1/19	5/31/24	0%	\$ 38,152	\$ 0	\$ 7,758	\$ 30,394	\$ 7,758

# CUMBERLAND FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2020

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### Note 9 - Interfund Balances and Transfers

Interfund balances represent short-term advances from one fund (primarily the General fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund or may simply be the result of pooling financial resources to maximize investment income. There were no interfund balances or transfers at June 30, 2020.

### Note 10 - Commitments and Contingencies

#### *Litigation*

During the ordinary course of its operations, the District is a party to various claims, legal actions and complaints. In the opinion of the District's management and legal counsel, the ultimate resolution of any legal actions will not result in a material loss to the District.

### 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.

### Note 12 - Pension Plan

#### **Municipal Employees Retirement System, (MERS) Agent Plan Employer Units (an Agent Multiple Employer Defined Benefit Pension Plan)**

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

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

**Benefits provided** – 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.

# CUMBERLAND FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2020

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### Note 12 - Pension Plan (continued)

#### **Municipal Employees Retirement System, (MERS) Agent Plan Employer Units (an Agent Multiple Employer Defined Benefit Pension Plan) (continued)**

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.

Final Compensation: 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 final average compensation (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.

#### ***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 detailed 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, 2020

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#### Note 12 - Pension Plan (continued)

##### **Municipal Employees Retirement System, (MERS) Agent Plan Employer Units (an Agent Multiple Employer Defined Benefit Pension Plan) (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).

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.

# CUMBERLAND FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2020

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### Note 12 - Pension Plan (continued)

#### **Municipal Employees Retirement System, (MERS) Agent Plan Employer Units (an Agent Multiple Employer Defined Benefit Pension Plan) (continued)**

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 described above 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%

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 every fourth year provision described in (a) above 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.

# CUMBERLAND FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2020

### Note 12 - Pension Plan (continued)

#### Municipal Employees Retirement System, (MERS) Agent Plan Employer Units (an Agent Multiple Employer Defined Benefit Pension Plan) (continued)

##### Employees covered by benefit terms

At the June 30, 2018 valuation date (rolled forward to the measurement date of June 30, 2019), the following employees were covered by the benefit terms:

	Valley Falls Fire District	Cumberland Fire District	Cumberland Hill Fire District	North Cumberland Fire District
Retirees and beneficiaries	10	9	11	11
Inactive, nonretired members	4	2	1	1
Active members	10	18	12	11
Total	24	29	24	23

**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 1% 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 9% of their salaries. The Cumberland Fire District (CFD) 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 \$876,956 in the year ended June 30, 2020 which was 25.75% of annual covered payroll.

**Net Pension Liability (Asset)** - The total pension liability was determined by actuarial valuations performed as of June 30, 2018 and rolled forward to June 30, 2019 (the measurement date), using the following actuarial assumptions, applied to all periods included in the measurement.

**CUMBERLAND FIRE DISTRICT**

Notes to the Financial Statements

June 30, 2020

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**Note 12 - Pension Plan (continued)**

**Municipal Employees Retirement System, (MERS) Agent Plan Employer Units (an Agent Multiple Employer Defined Benefit Pension Plan) (continued)**

<b>Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2019 measurement date (June 30, 2018 valuation rolled forward to June 30, 2019)</b>	
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	7.00%
Projected Salary Increases	General Employees - 3.50% to 7.50%; Police & Fire Employees - 4.00% to 14.00%
Inflation	2.50%
Mortality	Mortality – variants of the RP-2014 mortality tables – for the improvement scale, update to the ultimate rates of the MP-2016 projection scale.
Cost of Living Adjustments	A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2018 valuation rolled forward to June 30, 2019 and the calculation of the total pension liability at June 30, 2019 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

**CUMBERLAND FIRE DISTRICT**

Notes to the Financial Statements

*June 30, 2020*

**Note 12 - Pension Plan (continued)**

**Municipal Employees Retirement System, (MERS) Agent Plan Employer Units (an Agent Multiple Employer Defined Benefit Pension Plan) (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 34 sources. The June 30, 2019 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Target allocation	Long-term expected real rate of return
<b>Global equity:</b>		
U.S. equity	22.10%	6.16%
International developed	13.20%	6.83%
International emerging markets	4.70%	8.90%
<b>Private Growth</b>		
Private Equity	11.25%	9.81%
Non-Core RE	2.25%	5.51%
Opportunistic Private Credit	1.50%	9.81%
<b>Income</b>		
High Yield Infrastructure	1.00%	3.98%
REITS	1.00%	5.51%
Liquid Credit	2.80%	3.98%
Private Credit	3.20%	3.98%
<b>Crisis Protection Class</b>		
Treasury Duration	4.00%	0.77%
Systematic Trend	4.00%	4.20%
<b>Inflation Protection</b>		
Core Real Estate	3.60%	5.51%
Private Infrastructure	2.40%	5.85%
TIPs	1.00%	1.37%
Natural Resources	1.00%	3.76%
<b>Volatility Protection</b>		
IG Fixed Income	11.50%	2.15%
Absolute Return	6.50%	4.20%
Cash	3.00%	0.77%

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.

## CUMBERLAND FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2020

#### Note 12 - Pension Plan (continued)

##### **Municipal Employees Retirement System, (MERS) Agent Plan Employer Units (an Agent Multiple Employer Defined Benefit Pension Plan) (continued)**

**Discount rate** - The discount rate used to measure the total pension liability of the plans was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Valley Falls Fire District	Cumberland Fire District	Cumberland Hill Fire District	North Cumberland Fire District
Pension liability:				
Balance as of June 30, 2018	\$ 5,138,100	\$ 7,034,069	\$ 7,492,016	\$ 7,219,717
Changes for the year:				
Service cost	124,234	236,252	161,398	162,089
Interest on total pension liability	354,193	486,342	516,796	501,632
Changes in assumptions	-	-	-	-
Difference between expected and actual experience of total pension liability	360,365	(92,231)	(62,485)	(169,252)
Benefit payments, including employee refunds	(280,642)	(408,912)	(379,844)	(269,185)
Balance as of June 30, 2019	5,696,250	7,255,520	7,727,881	7,445,001
Fiduciary net position:				
Balance as of June 30, 2018	3,666,929	4,759,751	4,516,603	5,317,692
Employer contributions	122,850	262,779	227,145	173,712
Employee contributions	59,316	112,394	77,077	71,753
Net investment income	235,294	314,526	295,556	349,070
Benefit payments, including employee refunds	(280,642)	(408,912)	(379,844)	(269,185)
Administrative expense	(3,677)	(4,917)	(4,620)	(5,455)
Other changes	1	2	-	(3)
Balance as of June 30, 2019	3,800,071	5,035,623	4,731,917	5,637,584
Net pension liability (asset)	\$ 1,896,179	\$ 2,219,897	\$ 2,995,964	\$ 1,807,417

**Sensitivity of the Net Pension Liability to changes in the discount rate.** The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.0 percent, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

## CUMBERLAND FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2020

#### Note 12 - Pension Plan (continued)

#### Municipal Employees Retirement System, (MERS) Agent Plan Employer Units (an Agent Multiple Employer Defined Benefit Pension Plan) (continued)

	1.00% Decrease (6.0%)	Current Discount Rate (7.0%)	1.00% Increase (8.0%)
Valley Falls	\$ 2,494,659	\$ 1,896,179	\$ 1,406,358
Cumberland	\$ 2,988,171	\$ 2,219,897	\$ 1,591,066
Cumberland Hill	\$ 3,807,766	\$ 2,995,964	\$ 2,331,553
North Cumberland	\$ 2,579,077	\$ 1,807,417	\$ 1,175,945

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

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

For the year ended June 30, 2020 the employer recognized a pension expense of \$320,873 for Valley Falls Fire District, \$433,763 for Cumberland Fire, \$389,947 for Cumberland Hill, and \$336,076 for North Cumberland Fire. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Valley Falls Fire District	Cumberland Fire District	Cumberland Hill Fire District	North Cumberland Fire District	Total
Deferred outflows:					
Contributions made subsequent to the measurement period	\$ 135,521	\$ 305,331	\$ 244,799	\$ 181,532	\$ 867,183
Net difference between projected and actual	63,896	70,671	73,446	86,135	294,148
Changes in assumptions	137,383	205,772	217,228	76,560	636,943
Differences between expected and actual experience	334,881	298,275	52,093	23,397	708,646
Total deferred outflows	671,681	880,049	587,566	367,624	2,506,920
Deferred inflows:					
Changes in assumptions	(5,903)	(11,754)	(14,452)	(11,821)	(43,930)
Differences between expected and actual experience	(80,144)	(80,948)	(101,424)	(161,291)	(423,807)
Net difference between projected and actual earnings on investments	(72,772)	(99,774)	(91,126)	(107,921)	(371,593)
Total deferred inflows	(158,819)	(192,476)	(207,002)	(281,033)	(839,330)
Net deferred outflows and deferred inflows	\$ 512,862	\$ 687,573	\$ 380,564	\$ 86,591	\$ 1,667,590
Net deferred outflows and (inflows) excluding District contributions subsequent to the measurement date	\$ 377,341	\$ 382,242	\$ 135,765	\$ (94,941)	\$ 800,407

**CUMBERLAND FIRE DISTRICT**

Notes to the Financial Statements

June 30, 2020

**Note 12 - Pension Plan (continued)**

**Municipal Employees Retirement System, (MERS) Agent Plan Employer Units (an Agent Multiple Employer Defined Benefit Pension Plan) (continued)**

Valley Hills reported \$135,521, Cumberland Fire \$305,331, Cumberland Hill \$244,799 and North Cumberland Fire \$181,532 as deferred outflows of resources related to pensions resulting from the CFD contributions in fiscal year 2020 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Valley Falls Fire District	Cumberland Fire District	Cumberland Hill Fire District	North Cumberland Fire District	Total
2021	\$ 117,656	\$ 112,826	\$ 57,214	\$ 36,536	\$ 324,232
2022	73,120	51,367	(1,993)	(106,509)	15,985
2023	97,069	78,321	27,451	(28,684)	174,157
2024	89,381	87,782	47,079	3,716	227,958
2025	115	48,005	7,179	-	55,299
Thereafter	-	3,941	(1,165)	-	2,776
Total	\$ 377,341	\$ 382,242	\$ 135,765	\$ (94,941)	\$ 800,407

**Note 13 - Other Post-Employment Benefits Other Than Pension (OPEB)**

**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 Statement No. 75, employers providing other post-employment benefits are required to obtain an actuarial valuation for the plan at least every three years for less than 100 total members (active and inactive). The District's Plan has less than 100 total members and is allowed to use the *alternative measurement method*, which it has elected to do so. The district typically performs update procedures each year in lieu of contracting for a full actuarial valuation every third year.

**Plan type**

The Fire District participates in a single employer defined benefit other post-employment benefit plan.

**Funding Policy**

The required contribution is based on a pay-as-you-go financing requirement. For the year ended June 30, 2020 the District contributed \$152,267 to the plan for current premiums. The District did not contribute any amount towards prefunding benefits and has not yet established an irrevocable OPEB Trust (GASB 75 Para 4). Plan members receiving benefits do not contribute any amount toward the total premiums.

**CUMBERLAND FIRE DISTRICT**

Notes to the Financial Statements

June 30, 2020

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**Note 13 - Other Post-Employment Benefits Other Than Pension (OPEB) (continued)**

**Investment policy**

There was no investment policy for Other-Post Employment Benefits as of June 30, 2020 as there were no OPEB Trust assets.

**Members and benefit types**

<b>Description</b>	<b>Active Employees</b>	<b>Inactive or Beneficiaries Receiving Benefits</b>	<b>Total</b>
Number	-	18	18

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, 2020, the plan has eighteen active retirees and is closed to new entrants.

**Net OPEB Liability**

The components of the net OPEB liability of the District at June 30, 2020 were as follows:

Total OPEB liability	\$ 3,564,285
Plans fiduciary net position	<u>-</u>
District's net OPEB liability	<u>\$ 3,564,285</u>

Plan net position as a percentage of the total OPEB liability	0.00%
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**Actuarial methods and assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include types of benefits provided at the time of each valuation and the historical pattern of sharing benefit cost between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Below are the actuarial assumptions used to project future cost of the plan.

**CUMBERLAND FIRE DISTRICT**

Notes to the Financial Statements

June 30, 2020

**Note 13 - Other Post-Employment Benefits Other Than Pension (OPEB) (continued)**

<u>Description</u>	<u>Assumption</u>
Valuation date	June 30, 2020
Measurement date	June 30, 2020
Reporting date	June 30, 2020
Actuarial cost method	Individual entry age normal
Asset-valuation method	N/A
Discount Rate	2.70%
Assumed retirement age	65
Average salary increase	1.00%
Retirement rates	The probability of remaining employed until retirement age from current and entry age by age comes from the U.S. Office of Personnel Management Civil Service Retirement and Disability Fund Annual Report Fiscal Year Ended September 30, 2016.
Mortality	Life expectancy by gender comes from the Life Expectancy Table from National Center of Health Statistics updated in 2015.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.7 percent. This discount rate was based on a municipal bond indices for 20 year, tax exempt general obligation bonds with an average rating of AA/Aa or higher. The discount rate as of the prior measurement date of June 30, 2019 was 3.8 percent. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Change in Net OPEB Liability**

	<b>Total OPEB Liability</b>	<b>Increase (Decrease) Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
Balance at June 30, 2019	\$ 3,162,324	\$ -	\$ 3,162,324
Service cost	-	-	-
Interest	85,383	-	85,383
Differences between actual and expected experience	468,845	-	468,845
Contributions - employer	-	152,267	(152,267)
Net investment income	-	-	-
Benefit payments	(152,267)	(152,267)	-
Administrative expense	-	-	-
Net changes	<u>401,961</u>	<u>-</u>	<u>401,961</u>
Balances at June 30, 2020	<u>\$ 3,564,285</u>	<u>\$ -</u>	<u>\$ 3,564,285</u>

# CUMBERLAND FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2020

### Note 13 - Other Post-Employment Benefits Other Than Pension (OPEB) (continued)

#### Sensitivity of the net OPEB liability (NOL) to changes in the discount rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.7 percent) or 1-percentage-point higher (3.7 percent) than the current discount rate:

	<b>Sensitivity of Cumberland Fire District NOL to changes in the discount rate</b>		
	<b>Discount Rate - 1%</b>	<b>Assumed Discount Rate (2.7%)</b>	<b>Discount Rate + 1%</b>
Net OPEB Liability	\$ 4,177,721	\$ 3,564,285	\$ 3,079,107

#### Sensitivity of the net OPEB liability (NOL) to changes in the healthcare cost trend rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.0 percent) or 1 percentage-point higher (6.0 percent) than the current healthcare cost trend rates:

	<b>Sensitivity of Cumberland Fire District NOL to changes in the Healthcare Cost Trend rate</b>		
	<b>Healthcare Cost Trend - 1%</b>	<b>Healthcare Cost Trend Assumed (5.0%)</b>	<b>Healthcare Cost Trend +1%</b>
Net OPEB Liability	\$ 3,114,923	\$ 3,564,285	\$ 4,114,705

### Note 14 – COVID-19

On March 9, 2020 the Governor of the State of Rhode Island declared a State of Emergency in response to limit the spread of COVID-19 Coronavirus, which the World Health Organization characterized as being a pandemic. As a result of the spread of COVID-19, there is considerable uncertainty around the duration of the pandemic accordingly, the financial impact related to State funding and other revenues and other potential financial impacts cannot be reasonable estimated at this time. Management is carefully monitoring the situation.

### Note 15 - Subsequent Events

Management has evaluated subsequent events through January 8, 2021, the date the financial statements were available to be issued. There are no material events to disclose.

***REQUIRED SUPPLEMENTARY INFORMATION SECTION***

**CUMBERLAND FIRE DISTRICT**

Required Supplementary Information

Budgetary Comparison Schedule – General Fund

*For the Year Ended June 30, 2020*

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
General revenues			
Income from taxes	\$ 7,870,758	\$ 7,968,891	\$ 98,133
Other income (tax revenue prior years)	64,935	45,155	(19,780)
Other income	469,250	448,064	(21,186)
<b>Total revenue</b>	<u>8,404,943</u>	<u>8,462,110</u>	<u>57,167</u>
<b>Expenditures</b>			
Fire and rescue expenses			
Equipment maintenance and repairs	247,000	251,194	(4,194)
Utilities	449,570	437,252	12,318
Contracted salaries	6,110,491	5,969,682	140,809
Retirees	209,710	224,773	(15,063)
Administration	413,077	371,375	41,702
Administrative expenses	613,615	473,470	140,145
Employee expenses	20,350	27,805	(7,455)
Other	56,000	50,671	5,329
General reserve account	110,130	-	110,130
Deficit reduction account	150,000	-	150,000
Capital improvements	25,000	10,995	14,005
<b>Total expenditures</b>	<u>8,404,943</u>	<u>7,817,217</u>	<u>587,726</u>
<b>Excess of revenues over (under) expenditures before other financing sources (uses)</b>	<u>-</u>	<u>644,893</u>	<u>644,893</u>
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses, budgetary basis</b>	<u>\$ -</u>	<u>644,893</u>	<u>\$ 644,893</u>
Adjustment of budgetary basis to U.S. GAAP		<u>(7,677)</u>	
<b>Excess (deficiency) of revenue and other sources over expenditures and other uses, U.S. GAAP basis</b>		<u>637,216</u>	
<b>Budgetary Fund balance, July 1, 2019</b>		<u>(371,598)</u>	
<b>Budgetary Fund balance, June 30, 2020</b>		<u>\$ 265,618</u>	

*See Independent Auditor's Report and Notes to Required Supplementary Information*

**CUMBERLAND FIRE DISTRICT**

Required Supplementary Information

Notes to the Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis)

*For the Year Ended June 30, 2020*

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**Budgetary – GAAP Reporting Reconciliation**

The accompanying Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – General Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the budgetary basis and the Generally Accepted Accounting Principles (“GAAP”) basis are that:

- Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis) except for property taxes which are recorded on the accrual basis when levied.
- Expenditures are recorded when paid in cash (budgetary basis) as opposed to when liability is incurred (GAAP basis).

Therefore, timing, perspective and entity differences in excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2020 are as follows:

	<u><b>General Fund</b></u>
Excess (deficiency) of revenue and other sources over expenditures and other uses, budgetary basis	\$ 644,893
Debt service expenditures for capital lease and note not budgeted	<u>(7,677)</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses, U.S. GAAP basis	<u><u>\$ 637,216</u></u>

*See Independent Auditor's Report*

## CUMBERLAND FIRE DISTRICT

### Required Supplementary Information

#### Municipal Employees' Retirement System (MERS) Agent Plan Employer Unit Schedule of District's Proportionate Share of Net Pension Liability and Related Ratios

*Last 10 Fiscal Years\**

Fiscal year ending June 30, Measurement period ending June 30,	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
<b>Valley Falls Fire District</b>						
<b>Total pension liability:</b>						
Service cost	\$ 124,234	\$ 125,227	\$ 120,043	\$ 114,234	\$ 127,997	\$ 114,280
Interest	354,193	346,865	342,432	323,657	302,915	294,488
Changes of benefit terms	-	-	-	-	79,038	-
Effect of economic/demographic gains or (losses)						
Differences between expected and actual experience	360,365	(92,172)	(33,294)	88,154	23,929	-
Changes of assumptions	-	-	244,354	-	-	(38,933)
Benefit payments, including refunds of member contributions	(280,642)	(268,832)	(304,530)	(252,687)	(248,191)	(280,489)
Net change in total pension liability	558,150	111,088	369,005	273,358	285,688	89,346
Total pension liability, beginning of year	5,138,100	5,027,012	4,658,007	4,384,649	4,098,961	4,009,615
Total pension liability, end of year	5,696,250	5,138,100	5,027,012	4,658,007	4,384,649	4,098,961
<b>Plan fiduciary net position:</b>						
Contributions employer	122,850	107,546	113,497	118,425	146,982	102,119
Contributions employee	59,316	60,044	64,042	63,690	57,033	52,114
Net investment income	235,294	274,389	371,416	(1,130)	78,068	439,591
Benefit payments, including refunds of member contributions	(280,642)	(268,832)	(304,530)	(252,687)	(248,191)	(280,489)
Administrative expense	(3,677)	(3,653)	(3,509)	(3,041)	(3,133)	(2,753)
Other	1	-	(9)	1	1	-
Net change in plan fiduciary net position	133,142	169,494	240,907	(74,742)	30,760	310,582
Plan fiduciary net position, beginning of year	3,666,929	3,497,435	3,256,528	3,331,270	3,300,510	2,989,928
Plan fiduciary net position, end of year	3,800,071	3,666,929	3,497,435	3,256,528	3,331,270	3,300,510
Net pension liability, end of year	\$ 1,896,179	\$ 1,471,171	\$ 1,529,577	\$ 1,401,479	\$ 1,053,379	\$ 798,451
Plan fiduciary net position as a percentage of the total pension liability	66.71%	71.37%	69.57%	69.91%	75.98%	80.52%
Covered employee payroll	\$ 659,065	\$ 667,168	\$ 711,575	\$ 688,156	\$ 814,750	\$ 744,492
Net pension liability as a percentage of covered employee payroll	287.71%	220.51%	214.96%	203.66%	129.29%	107.25%

\*Schedule is intended to show information for ten years – additional years will be displayed as they become available.

*See Independent Auditor's Report and Notes to Required Supplementary Information*

## CUMBERLAND FIRE DISTRICT

### Required Supplementary Information

#### Municipal Employees' Retirement System (MERS) Agent Plan Employer Unit Schedule of District's Proportionate Share of Net Pension Liability and Related Ratios

*Last 10 Fiscal Years\**

Fiscal year ending June 30, Measurement period ending June 30,	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
	<b>Cumberland Fire District</b>					
<b>Total pension liability:</b>						
Service cost	\$ 236,252	\$ 230,113	\$ 191,028	\$ 159,302	\$ 136,569	\$ 130,272
Interest	486,342	448,269	418,489	393,586	357,824	342,948
Changes of benefit terms	-	-	-	-	160,807	-
Effect of economic/demographic gains or (losses)						
Differences between expected and actual experience	(92,231)	224,733	160,122	48,193	64,598	-
Changes of assumptions	-	-	344,105	-	-	(36,180)
Benefit payments, including refunds of member contributions	(408,912)	(315,668)	(302,910)	(266,901)	(241,786)	(241,902)
Net change in total pension liability	221,451	587,447	810,834	334,180	478,012	195,138
Total pension liability, beginning of year	7,034,069	6,446,622	5,635,788	5,301,608	4,823,596	4,628,458
Total pension liability, end of year	7,255,520	7,034,069	6,446,622	5,635,788	5,301,608	4,823,596
<b>Plan fiduciary net position:</b>						
Contributions employer	262,779	246,580	218,680	198,556	160,842	103,330
Contributions employee	112,394	109,059	97,713	93,553	58,486	55,515
Net investment income	314,526	356,163	463,905	(1,312)	88,119	492,534
Benefit payments, including refunds of member contributions	(408,912)	(315,668)	(302,910)	(266,901)	(241,786)	(241,902)
Administrative expense	(4,917)	(4,741)	(4,383)	(3,530)	(3,535)	(3,084)
Other	2	(1)	114,847	-	1	1
Net change in plan fiduciary net position	275,872	391,392	587,852	20,366	62,127	406,394
Plan fiduciary net position, beginning of year	4,759,751	4,368,359	3,780,507	3,760,141	3,698,014	3,291,620
Plan fiduciary net position, end of year	5,035,623	4,759,751	4,368,359	3,780,507	3,760,141	3,698,014
Net pension liability, end of year	\$ 2,219,897	\$ 2,274,318	\$ 2,078,263	\$ 1,855,281	\$ 1,541,467	\$ 1,125,582
Plan fiduciary net position as a percentage of the total pension liability	69.40%	67.67%	67.76%	67.08%	70.92%	76.67%
Covered employee payroll	\$ 1,123,940	\$ 1,090,581	\$ 977,126	\$ 824,117	\$ 731,095	\$ 704,935
Net pension liability as a percentage of covered employee payroll	197.51%	208.54%	212.69%	225.12%	210.84%	159.67%

\*Schedule is intended to show information for ten years – additional years will be displayed as they become available.

*See Independent Auditor's Report and Notes to Required Supplementary Information*

## CUMBERLAND FIRE DISTRICT

### Required Supplementary Information

#### Municipal Employees' Retirement System (MERS) Agent Plan Employer Unit Schedule of District's Proportionate Share of Net Pension Liability and Related Ratios

*Last 10 Fiscal Years\**

Fiscal year ending June 30, Measurement period ending June 30,	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
	<b>Cumberland Hill Fire District</b>					
<b>Total pension liability:</b>						
Service cost	\$ 161,398	\$ 161,087	\$ 148,324	\$ 136,556	\$ 124,042	\$ 118,487
Interest	516,796	494,368	481,529	471,694	428,776	418,644
Changes of benefit terms	-	-	-	-	320,823	-
Effect of economic/demographic gains or (losses)						
Differences between expected and actual experience	(62,485)	39,412	7,617	(110,211)	59,914	-
Changes of assumptions	-	-	369,538	-	-	(41,794)
Benefit payments, including refunds of member contributions	<u>(379,844)</u>	<u>(369,417)</u>	<u>(373,345)</u>	<u>(372,214)</u>	<u>(362,951)</u>	<u>(363,076)</u>
Net change in total pension liability	235,865	325,450	633,663	125,825	570,604	132,261
Total pension liability, beginning of year	<u>7,492,016</u>	<u>7,166,566</u>	<u>6,532,903</u>	<u>6,407,078</u>	<u>5,836,474</u>	<u>5,704,213</u>
Total pension liability, end of year	<u>7,727,881</u>	<u>7,492,016</u>	<u>7,166,566</u>	<u>6,532,903</u>	<u>6,407,078</u>	<u>5,836,474</u>
<b>Plan fiduciary net position:</b>						
Contributions employer	227,145	210,825	223,187	219,999	198,869	74,288
Contributions employee	77,077	77,113	77,820	76,723	59,565	54,774
Net investment income	295,556	337,969	452,887	(1,349)	93,010	530,637
Benefit payments, including refunds of member contributions	(379,844)	(369,417)	(373,345)	(372,214)	(362,951)	(363,076)
Administrative expense	(4,620)	(4,499)	(4,279)	(3,631)	(3,767)	(3,323)
Other	-	-	(10)	-	1	-
Net change in plan fiduciary net position	215,314	251,991	376,260	(80,472)	(15,273)	293,300
Plan fiduciary net position, beginning of year	<u>4,516,603</u>	<u>4,264,612</u>	<u>3,888,352</u>	<u>3,968,824</u>	<u>3,984,097</u>	<u>3,690,797</u>
Plan fiduciary net position, end of year	<u>4,731,917</u>	<u>4,516,603</u>	<u>4,264,612</u>	<u>3,888,352</u>	<u>3,968,824</u>	<u>3,984,097</u>
Net pension liability, end of year	<u>\$ 2,995,964</u>	<u>\$ 2,975,413</u>	<u>\$ 2,901,954</u>	<u>\$ 2,644,551</u>	<u>\$ 2,438,254</u>	<u>\$ 1,852,377</u>
Plan fiduciary net position as a percentage of the total pension liability	61.23%	60.29%	59.51%	59.52%	61.94%	68.26%
Covered employee payroll	\$ 770,765	\$ 777,120	\$ 778,197	\$ 746,614	\$ 744,549	\$ 721,162
Net pension liability as a percentage of covered employee payroll	388.70%	382.88%	372.91%	354.21%	327.48%	256.86%

\*Schedule is intended to show information for ten years – additional years will be displayed as they become available.

*See Independent Auditor's Report and Notes to Required Supplementary Information*

## CUMBERLAND FIRE DISTRICT

### Required Supplementary Information

#### Municipal Employees' Retirement System (MERS) Agent Plan Employer Unit Schedule of District's Proportionate Share of Net Pension Liability and Related Ratios

*Last 10 Fiscal Years\**

Fiscal year ending June 30, Measurement period ending June 30,	2020	2019	2018	2017	2016	2015
	2019	2018	2017	2016	2015	2014
	<b>North Cumberland Fire District</b>					
<b>Total pension liability:</b>						
Service cost	\$ 162,089	\$ 158,162	\$ 138,026	\$ 127,880	\$ 139,487	\$ 134,277
Interest	501,632	479,820	457,383	444,570	393,248	372,770
Changes of benefit terms	-	-	-	-	184,673	-
Effect of economic/demographic gains or (losses)						
Differences between expected and actual experience	(169,252)	(59,174)	98,667	(144,128)	197,294	-
Changes of assumptions	-	-	322,842	-	-	(34,033)
Benefit payments, including refunds of member contributions	<u>(269,185)</u>	<u>(269,165)</u>	<u>(272,554)</u>	<u>(252,552)</u>	<u>(196,658)</u>	<u>(208,505)</u>
Net change in total pension liability	225,284	309,643	744,364	175,770	718,044	264,509
Total pension liability, beginning of year	<u>7,219,717</u>	<u>6,910,074</u>	<u>6,165,710</u>	<u>5,989,940</u>	<u>5,271,896</u>	<u>5,007,387</u>
Total pension liability, end of year	<u>7,445,001</u>	<u>7,219,717</u>	<u>6,910,074</u>	<u>6,165,710</u>	<u>5,989,940</u>	<u>5,271,896</u>
<b>Plan fiduciary net position:</b>						
Contributions employer	173,712	138,742	148,480	144,687	154,596	105,004
Contributions employee	71,753	69,861	68,331	68,422	58,393	56,475
Net investment income	349,070	397,912	529,458	(1,568)	106,915	591,786
Benefit payments, including refunds of member contributions	(269,185)	(269,165)	(272,554)	(252,552)	(196,658)	(208,505)
Administrative expense	(5,455)	(5,297)	(5,002)	(4,218)	(4,288)	(3,706)
Other	<u>(3)</u>	<u>-</u>	<u>(12)</u>	<u>-</u>	<u>1</u>	<u>68,883</u>
Net change in plan fiduciary net position	319,892	332,053	468,701	(45,229)	118,959	609,937
Plan fiduciary net position, beginning of year	<u>5,317,692</u>	<u>4,985,639</u>	<u>4,516,938</u>	<u>4,562,167</u>	<u>4,443,208</u>	<u>3,833,271</u>
Plan fiduciary net position, end of year	<u>5,637,584</u>	<u>5,317,692</u>	<u>4,985,639</u>	<u>4,516,938</u>	<u>4,562,167</u>	<u>4,443,208</u>
Net pension liability, end of year	<u>\$ 1,807,417</u>	<u>\$ 1,902,025</u>	<u>\$ 1,924,435</u>	<u>\$ 1,648,772</u>	<u>\$ 1,427,773</u>	<u>\$ 828,688</u>
Plan fiduciary net position as a percentage of the total pension liability	75.72%	73.66%	72.15%	73.26%	76.16%	84.28%
Covered employee payroll	\$ 717,527	\$ 698,597	\$ 683,297	\$ 657,143	\$ 729,917	\$ 707,091
Net pension liability as a percentage of covered employee payroll	251.90%	272.26%	281.64%	250.90%	195.61%	117.20%

\*Schedule is intended to show information for ten years – additional years will be displayed as they become available.

*See Independent Auditor's Report and Notes to Required Supplementary Information*

**CUMBERLAND FIRE DISTRICT**

Required Supplementary Information

Municipal Employees' Retirement System (MERS) Agent Plan Employer Unit  
Schedule of the District's Contributions

*Last 10 Years\**

Fiscal Year Ended June 30, Measurement Period Ended June 30,	2020 2019	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
<b>Valley Falls Fire District:</b>						
Actuarially determined contribution	\$ 122,850	\$ 107,546	\$ 113,497	\$ 118,425	\$ 146,982	\$ 102,119
Contributions in relation to the actuarially determined contribution	<u>122,850</u>	<u>107,546</u>	<u>113,497</u>	<u>118,425</u>	<u>146,982</u>	<u>102,119</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered employee payroll	\$ 659,065	\$ 667,168	\$ 711,575	\$ 688,156	\$ 814,750	\$ 744,492
Contributions as a percentage of covered employee payroll	18.64%	16.12%	15.95%	17.21%	18.04%	13.72%
<b>Cumberland Fire District:</b>						
Actuarially determined contribution	\$ 262,779	\$ 246,580	\$ 218,680	\$ 198,556	\$ 160,842	\$ 103,330
Contributions in relation to the actuarially determined contribution	<u>262,779</u>	<u>246,580</u>	<u>218,680</u>	<u>198,556</u>	<u>160,842</u>	<u>103,330</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered employee payroll	\$ 1,123,940	\$ 1,090,581	\$ 977,126	\$ 824,117	\$ 731,095	\$ 704,935
Contributions as a percentage of covered employee payroll	23.38%	22.61%	22.38%	24.09%	22.00%	14.66%
<b>Cumberland Hill Fire District:</b>						
Actuarially determined contribution	\$ 227,145	\$ 210,825	\$ 223,187	\$ 219,999	\$ 198,869	\$ 74,288
Contributions in relation to the actuarially determined contribution	<u>227,145</u>	<u>210,825</u>	<u>223,187</u>	<u>219,999</u>	<u>198,869</u>	<u>74,288</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered employee payroll	\$ 770,765	\$ 771,120	\$ 778,197	\$ 746,614	\$ 744,549	\$ 721,162
Contributions as a percentage of covered employee payroll	29.47%	27.34%	28.68%	29.47%	26.71%	10.30%
<b>North Cumberland Fire District:</b>						
Actuarially determined contribution	\$ 173,712	\$ 138,742	\$ 148,480	\$ 144,687	\$ 154,596	\$ 105,004
Contributions in relation to the actuarially determined contribution	<u>173,712</u>	<u>138,742</u>	<u>148,480</u>	<u>144,687</u>	<u>154,596</u>	<u>105,004</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered employee payroll	\$ 717,527	\$ 698,597	\$ 683,297	\$ 657,143	\$ 729,917	\$ 707,091
Contributions as a percentage of covered employee payroll	24.21%	19.86%	21.73%	22.02%	21.18%	14.85%

*See Independent Auditor's Report and Notes to Required Supplementary Information*

## CUMBERLAND FIRE DISTRICT

### Required Supplementary Information

#### Notes to MERS Plans

*For the Year Ended June 30, 2020*

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The amounts presented for each fiscal year were determined as of the June 30 measurement date prior to the fiscal year end.

The schedules are intended to show information for 10 years – additional years will be displayed as they become available.

Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

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.

Employers participating in the Teachers' Survivors Benefit Plan contribute at a rate established by RI General Laws, Section 16-16-35.

#### ***June 30, 2019 measurement date –***

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2019 measurement date compared to the June 30, 2018 measurement date.

#### ***June 30, 2018 measurement date –***

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

#### ***June 30, 2017 measurement date –***

As part of the 2017 Actuarial Experience Investigation Study for the six-year period ending June 30, 2016 as approved by the System Board on May 15, 2017, certain assumptions were modified and reflected in the determination of the net pension liability (asset) at the June 30, 2017 measurement date. The following summarizes the more significant changes in assumptions:

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

*See Independent Auditor's Report*

## CUMBERLAND FIRE DISTRICT

### Required Supplementary Information

#### Notes to MERS Plans

*For the Year Ended June 30, 2020*

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#### ***June 30, 2016 measurement date –***

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date.

#### ***June 30, 2015 measurement date –***

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2015 measurement date compared to the June 30, 2014 measurement date.

The June 30, 2015 measurement date determination of the net pension liability for the ERS and MERS plans reflects changes in benefit changes resulting from the settlement of litigation challenging the various pension reform measures enacted in previous years by the General Assembly. 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, are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and municipal general employees will contribute 8.25% (9.25% for units with a COLA provision) and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.
- MERS public safety employees may retire at age 50 with 25 years of service, or any age with 27 years of service. MERS public safety employees will contribute 9.00% (10.00% for units with a COLA provision).
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan. Also, members who earn less than \$35,000 per year will not be required to pay the administrative fees to the defined contribution plan.
- Members who retired from a COLA eligible plan before July 1, 2012 will received a one-time cost of living adjustment of 2% of the first \$25,000 paid as soon as administratively possible.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather than 5 year intervals.
- The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5yr Return - 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total max COLA of 3.5%. This COLA is calculated on the first \$25,855, effective 01/01/16, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.)
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

*See Independent Auditor's Report*

**CUMBERLAND FIRE DISTRICT**

Required Supplementary Information

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

*Last 10 Fiscal Years\**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Total OPEB liability</b>			
Interest	\$ 85,383	\$ 96,620	\$ 100,000
Differences between actual and expected experience	468,845	666,347	75,123
Benefit payments	<u>(152,267)</u>	<u>(143,262)</u>	<u>(132,504)</u>
 Net change in total OPEB liability	 401,961	 619,705	 42,619
 Total OPEB liability - beginning	 <u>3,162,324</u>	 <u>2,542,619</u>	 <u>2,500,000</u>
Total OPEB liability - ending	<u>\$ 3,564,285</u>	<u>\$ 3,162,324</u>	<u>\$ 2,542,619</u>
 <b>OPEB fiduciary net position</b>			
Benefit payments	\$ (152,267)	\$ (143,262)	\$ (132,504)
Contributions - employer	<u>152,267</u>	<u>143,262</u>	<u>132,504</u>
 Net change in plan fiduciary net position	 -	 -	 -
 Plan fiduciary net position - beginning	 <u>-</u>	 <u>-</u>	 <u>-</u>
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Plan's net OPEB liability - ending	 <u>\$ 3,564,285</u>	 <u>\$ 3,162,324</u>	 <u>\$ 2,542,619</u>
 Plan fiduciary net position as % of total OPEB liability	 0.00%	 0.00%	 0.00%
 Covered employee payroll	 -	 -	 -
 Plan NOL as % of covered employee payroll	 N/A	 N/A	 N/A

\* Third year of implementation of GASB 75, therefore only three years of the ten required data is available.

*See Independent Auditor's Report and notes to required supplementary information*

**CUMBERLAND FIRE DISTRICT**

Required Supplementary Information

Schedule of Required Contributions – Other Post-Employment Benefits

*Last 10 Fiscal Years\**

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**Notes to Required Supplementary Information:**

Valuation Date:	June 30, 2020
Actuarial Cost Method:	Individual Entry Age Normal
Asset-Valuation Method:	None noted

**Actuarial Assumptions:**

Discount Rate	2.70%
Assumed retirement age	65
Average salary increase	1.00%

*See Independent Auditor's Report and notes to required supplementary information*

***SUPPLEMENTARY INFORMATION SECTION***

**CUMBERLAND FIRE DISTRICT**

Supplementary Information

Tax Collector's Annual Report

*For the Year Ended June 30, 2020*

Tax Year	Balance, July 1, 2019	Assessment	New Receivables	Adjustments/ Abatements	Transfers	Amount to be collected	FY 2020 Collections	Balance, June 30, 2020	July-August 2019 Collections Subject to 60-day FY19 Accrual	September-June 2020 Collections	Total FY2020 Cash Collections	July-August 2020 Collections Subject to 60-day FY20 Accrual
2020		\$ 8,348,512		\$ (558)	\$ (9,694)	\$ 8,338,260	\$ -	\$ 8,338,260		\$ -	\$ -	\$ -
2019	\$ 6,243,366	-	\$ 237,619	(228,400)	5,353	\$ 6,257,938	6,147,711	\$ 110,227	\$ -	6,147,711	6,147,711	66,671
2018	62,110	-	-	(23)	(710)	\$ 61,377	43,480	17,897	22,784	20,696	43,480	2,250
2017	8,529	-	-	(50)	(788)	\$ 7,691	828	6,863	389	439	828	801
2016	5,380	-	-	(25)	-	\$ 5,355	817	4,538	-	817	817	-
2015	5,650	-	-	(25)	-	\$ 5,625	-	5,625	-	-	-	-
2014	3,698	-	-	(40)	280	\$ 3,938	-	3,938	-	-	-	-
2013	3,802	-	-	(42)	309	\$ 4,069	-	4,069	-	-	-	-
2012	2,300	-	-	(42)	-	\$ 2,258	-	2,258	-	-	-	-
2011	1,547	-	-	(41)	-	\$ 1,506	-	1,506	-	-	-	-
2010 and prior	5,373	-	-	(591)	-	\$ 4,782	30	4,752	-	30	30	-
	<b>\$ 6,341,754</b>	<b>\$ 8,348,512</b>	<b>\$ 237,619</b>	<b>\$ (229,837)</b>	<b>\$ (5,250)</b>	<b>\$ 14,692,798</b>	<b>\$ 6,192,866</b>	<b>\$ 8,499,932</b>	<b>\$ 23,173</b>	<b>\$ 6,169,693</b>	<b>\$ 6,192,866</b>	<b>\$ 69,722</b>
Allowance for Uncollectible Accounts	\$ -							\$ -				
Net Property Tax Receivable	<b>\$ 6,341,754</b>							<b>\$ 8,499,932</b>				

*See Independent Auditor's Report*

**CUMBERLAND FIRE DISTRICT**

Supplementary Information

Tax Collector's Annual Report

*For the Year Ended June 30, 2020*

**Schedule of Net Assessed Property, Value by Category**

Description of Property	Valuations December 31, 2019	Levy June 1, 2020
Real Property:		
Residential	\$ 4,221,472,293	\$ 7,932,146
Commercial	27,866,227	52,361
Industrial	65,217,320	122,543
Tangible Property	<u>203,570,419</u>	<u>382,509</u>
 Total	 4,518,126,259	 8,489,559
 <b>Less Exemptions</b>	 <u>(80,672,001)</u>	 <u>(141,047)</u>
 <b>Net Assessed Value</b>	 <b><u>\$ 4,437,454,258</u></b>	 <b><u>\$ 8,348,512</u></b>

**Reconciliation of Current Year Property Tax Revenue**

Current Year Collections	\$ 6,192,866
July-August 2020 Collections Subject to 60-day FY20 Accrual	<u>69,722</u>
	6,262,588
July-August 2019 Collections Subject to 60-day FY19 Accrual	<u>(23,173)</u>
	6,239,415
Advance tax collections from 2019 classified as revenue in 2020	<u>1,771,139</u>
Miscellaneous Difference	<u>3,492</u>
 <b>Current Year Property Tax Revenue</b>	 <b><u>\$ 8,014,046</u></b>

*See Independent Auditor's Report*

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To the Honorable Fire Committee  
Cumberland Fire District  
Cumberland, Rhode Island

**Independent Auditors' Report on Internal Controls Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cumberland Fire District ("District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 8, 2021.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered Cumberland Fire 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cumberland Fire District 's internal control. Accordingly, we do not express an opinion on the effectiveness of Cumberland Fire 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether Cumberland Fire District's financial statements are free of 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.

*Hague, Sahady & Co., CPAs, P.C.*

Hague, Sahady & Co., CPAs, P.C.

Fall River, Massachusetts

January 8, 2021