

COVENTRY FIRE DISTRICT

***ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017***



**COVENTRY FIRE DISTRICT
ANNUAL FINANCIAL STATEMENTS
For the Fiscal Year Ended November 30, 2017**

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Independent Auditor's Report

To the Board of Directors
Coventry Fire District
Coventry, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Coventry Fire District (the District) as of and for the year ended November 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 11 to the financial statements, management has not recorded a liability for the net OPEB obligation in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that the net OPEB obligation should be recorded for the cumulative difference between annual OPEB cost and the employer's contribution to the plan, including the OPEB liability (asset) at transition, which would increase or decrease the liabilities, increase or decrease the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Coventry Fire District as of November 30, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the Coventry Fire District as of November 30, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and supplementary pension plan information on pages 37 through 45 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.

Management has omitted the Management's Discussion and Analysis and supplementary OPEB Plan information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting

Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coventry 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 relates 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, 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 our report dated February 6, 2020 on our consideration of the Coventry Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 Coventry 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 Coventry Fire District's internal control over financial reporting and compliance.

Bacon & Company CPAs, LLC

Warwick, Rhode Island
February 6, 2020

COVENTRY FIRE DISTRICT

Statement of Net Position

November 30, 2017

	<i>Governmental Activities</i>
<i>Assets</i>	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 739,935
Taxes receivable, net	155,221
EMS receivable, net	238,365
Other receivables	1,012
Prepaid expenses	82,464
<i>Total current assets</i>	<u>1,216,997</u>
<i>Noncurrent assets:</i>	
Net pension asset	591,014
Capital assets not being depreciated	35,600
Capital assets, net of accumulated depreciation	433,963
<i>Total noncurrent assets</i>	<u>1,060,577</u>
<i>Total assets</i>	<u>2,277,574</u>
<i>Deferred outflows of resources</i>	
Deferred outflows related to pension plans	<u>497,237</u>
<i>Liabilities</i>	
<i>Current liabilities:</i>	
Accounts payable	566,447
Accrued expenses	100,627
Compensated absences payable -expected to be paid within one year	83,074
Long-term debt-due within one year (Note 8)	71,424
Note payable	258,386
<i>Total current liabilities</i>	<u>1,079,958</u>
<i>Noncurrent liabilities</i>	
Compensated absences payable-expected to be paid after one year	157,746
Long-term debt-due in more than one year (Note 8)	155,317
Net pension liability	2,292,094
<i>Total noncurrent liabilities</i>	<u>2,605,157</u>
<i>Total liabilities</i>	<u>3,685,115</u>
<i>Deferred inflows of resources</i>	
Deferred inflows related to pension plans	<u>1,069,609</u>
<i>Net position</i>	
Net investment in capital assets	242,822
Restricted	12,720
Unrestricted	(2,235,455)
<i>Total net position</i>	<u><u>\$ (1,979,913)</u></u>

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

COVENTRY FIRE DISTRICT
Statement of Activities
For the Fiscal Year Ended November 30, 2017

	<u>Governmental Activities</u>
Expenses:	
Public safety - fire protection:	
Salaries, wages and benefits	\$ 1,455,032
Street lighting	137,461
Professional services	160,471
Hydrant rental	161,970
Insurance	29,793
Repairs and maintenance	55,150
Utilities and telecommunications	21,558
Supplies	40,767
Fuel	9,062
Service contracts	6,532
Miscellaneous	21,742
Depreciation	61,635
Interest expense	40,865
Total program expenses	<u>2,202,038</u>
Program revenues:	
Charges for services-rescue run services	340,516
Net program expense	<u>(1,861,522)</u>
General revenues:	
Property taxes	2,244,201
Interest on taxes	38,987
Miscellaneous	4,880
Total general revenues	<u>2,288,068</u>
Change in net position	426,546
Net position, beginning of year	<u>(2,406,459)</u>
Net position, end of year	<u><u>\$ (1,979,913)</u></u>

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

COVENTRY FIRE DISTRICT

Balance Sheet

Governmental Funds

November 30, 2017

	<u>General Fund</u>
Assets	
Cash	\$ 739,935
Taxes receivable, net	155,221
EMS receivables, net	238,365
Other receivables	1,012
Prepaid items	82,464
Total assets	<u>\$ 1,216,997</u>
 Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	
Liabilities	
Accounts payable	\$ 566,447
Accrued expenditures	92,129
Compensated absences payable	83,074
Note payable	258,386
Total liabilities	<u>1,000,036</u>
 Deferred Inflows of Resources	
Unavailable revenue - property taxes	87,105
Unavailable revenue - EMS revenue	238,365
Total deferred inflows of resources	<u>325,470</u>
 Fund balances (deficits)	
Nonspendable - prepaid items	82,464
Restricted - fire prevention	12,720
Unassigned	(203,693)
Total fund balances (deficits)	<u>(108,509)</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 1,216,997</u>

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

COVENTRY FIRE DISTRICT
Reconciliation of the Governmental Fund Balance Sheet
To the Government-Wide Statement of Net Position
November 30, 2017

Total Fund Balances- Total Governmental Funds	\$ (108,509)
 <i>Amounts reported for Governmental Activities in the Statement of Net Position differ because of the following:</i>	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. (See Note 6)	469,563
Long-term liabilities (including loans payable, capital lease payable, compensated absences and net pension liability) are not due and payable in the current period and therefore are they are not reported in the Governmental Fund Balance Sheet. (See Note 8)	(2,676,581)
Net pension asset is not available to pay current period expenditures and, therefore, is not reported in the Governmental Fund Balance Sheet.	591,014
Delinquent taxes are recognized as revenue in the period for which levied in the Government-Wide financial statements, but are reported as deferred inflows of resources in the Governmental Funds Balance Sheet.	87,105
EMS receivables are not available to pay current period expenditures and, therefore, are reported as deferred inflows of resources in the Governmental Fund Balance Sheet.	238,365
Accrued interest payable on long-term debt does not require current financial resources and , therefore, it is not reported as a liability in the Governmental Funds Balance Sheet.	(8,498)
Deferred pension amounts are not reported in the Governmental Funds Balance Sheet, but are reported in the Government-Wide financial statements as follows:	
Deferred outflows of resources	497,237
Deferred inflows of resources	(1,069,609)
 Total Net Position of Governmental Activities	 <u>\$ (1,979,913)</u>

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

COVENTRY FIRE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended November 30, 2017

	General Fund
Revenues	
Property taxes	\$ 2,266,002
Interest on taxes	38,987
Rescue run revenue	299,548
Other revenues	4,880
Total revenues	2,609,417
Expenditures	
Current:	
Public safety - fire protection	
Salaries, wages and benefits	1,185,890
Street lighting	137,461
Professional services	160,471
Hydrant rental	161,970
Insurance	29,793
Repairs and maintenance	67,650
Utilities and telecommunications	21,558
Supplies	35,639
Fuel	9,062
Service contracts	6,532
Miscellaneous	21,742
Capital outlay	66,703
Debt service:	
Principal	65,936
Interest	43,268
Total expenditures	2,013,675
Excess of revenues over expenditures before other financing sources	595,742
Other financing sources	
Capital lease	12,047
Total other financing sources	12,047
Net change in fund balances	607,789
Fund balances (deficits), beginning of year	(716,298)
Fund balances (deficits), end of year	\$ (108,509)

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

COVENTRY FIRE DISTRICT
*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in the Fund Balances to the Government-Wide Statement of Activities
For the Fiscal Year Ended November 30, 2017*

<i>Net Change in Fund Balances - Total Governmental Funds</i>	\$ 607,789
 <i>Amounts reported for Governmental Activities in the Statement of Activities are different because:</i>	
Governmental Funds financial statements report capital outlay as expenditures. However, in the Government-Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation. This is the amount of capital assets recorded in the current period.	74,075
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the Governmental Funds financial statements.	(61,635)
Capital lease and loan proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of capital lease and loan principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position.	
This amount represents capital lease issued during the current period.	(12,047)
This amount represents capital lease and loan principal payments during the current period.	65,936
Long-term compensated absences are reported in the Government- Wide Statement of Activities, but do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in Governmental Funds financial statements. This is the amount of the change in long-term compensated absences in the current period.	11,007
Accrued interest on long-term debt is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in Governmental Funds financial statements. The following amount represents the change in accrued interest from prior year.	2,403
Revenues in the Government-Wide Statement of Activities that are not measurable and available in Governmental Funds are not reported as revenue in the Governmental Funds.	19,167
Long-term net pension liabilities (assets) are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources or are not available to pay for current period expenditures. Therefore, long-term net pension liabilities (assets) are not reported as expenditures in Governmental Funds financial statements.	
This is the amount of the change in long-term net pension liabilities (assets) and related deferred pension amounts in the current period.	(280,149)
 <i>Change in Net Position of Governmental Activities</i>	 <hr/> <u>\$ 426,546</u>

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

COVENTRY FIRE DISTRICT

Notes to Financial Statements

November 30, 2017

The financial statements of the Coventry Fire District (the District) have been prepared in conformity with accounting 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 governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the District's financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Coventry Fire District was incorporated in January 1889 under an act of the Rhode Island General Assembly in Section 1 of Chapter 806 of the 1889 Rhode Public Laws, entitled "An Act to Incorporate the Coventry Fire District", and as subsequently amended.

All the powers of the District, except those vested in the District Annual Meeting or in District Special Meetings, are vested in a five member Board of Directors, who are elected on an annual basis at the District Annual Meeting, or whenever a vacancy exists.

In evaluating the inclusion of potential component units within its financial reporting entity, the District applied the criteria prescribed by GASB Statement No. 14, as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61 "Financial Reporting Entity-Omnibus". A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The Coventry Fire District does not have any component units that meet this criteria.

B. BASIS OF PRESENTATION AND ACCOUNTING

Government-Wide Financial Statements

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements report information about the reporting entity as a whole. Fiduciary activities of the reporting entity are not included in these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through property taxes, intergovernmental revenue, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services rendered. The District had no business-type activities as of November 30, 2017 or for the year ended.

The Statement of Activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property taxes and general state aid, are presented as general revenues.

COVENTRY FIRE DISTRICT

Notes to Financial Statements

November 30, 2017

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

Fund Financial Statements

The Fund Financial Statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific District functions or activities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three categories: governmental, proprietary, and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the Fund Financial Statements. The District did not have any proprietary or fiduciary funds as of November 30, 2017 or for the year ended.

Governmental Fund Financial Statements

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

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources 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 measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally collected 60 days after year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the District are property tax and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured.

The District had only one major fund and no non-major funds as of November 30, 2017 or for the year ended.

COVENTRY FIRE DISTRICT
Notes to Financial Statements
November 30, 2017

Major Governmental Funds:

General Fund – The General Fund is used to account for resources devoted to financing the general services that the District performs and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted or reported in another fund.

C. RECENTLY ISSUED ACCOUNTING STANDARDS

The District has implemented the following new accounting pronouncements:

- GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, effective for the District’s fiscal year ending November 30, 2017.
- GASB Statement No. 77 – *Tax Abatement Disclosures*, effective for the District’s fiscal year ending November 30, 2017.
- GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for the District’s fiscal year ending November 30, 2017.
- GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*, certain sections effective for the District’s fiscal year ending November 30, 2016 and other for the District’s fiscal year ending November 30, 2017.
- GASB Statement No. 80 – *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, effective for the District’s fiscal year ending November 30, 2017.
- GASB Statement No. 82 – *Pension Issues – an amendment of GASB Statements No. 67, 68, and No. 73*, effective for the District’s fiscal year ending November 30, 2017.

The adoption of GASB Statements No. 74, 77, 78, 79, 80 and 82 did not have an impact on the District’s financial position or results of operations.

The District will adopt the following new account pronouncements in future years:

- GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, effective for the District’s fiscal year ending November 30, 2018.
- GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*, effective for the District’s fiscal year ending November 30, 2018.
- GASB Statement No. 83 – *Certain Asset Retirement Obligations*, effective for the District’s fiscal year ending November 30, 2019.
- GASB Statement No. 84 – *Fiduciary Activities*, effective for the District’s fiscal year ending November 30, 2020.

COVENTRY FIRE DISTRICT

Notes to Financial Statements

November 30, 2017

- GASB Statement No. 85 – *Omnibus 2017*, effective for the District’s fiscal year ending November 30, 2018.
- GASB Statement No. 86 – *Certain Debt Extinguishment Issues*, effective for the fiscal year ending November 30, 2018.
- GASB Statement No. 87 – *Leases*, effective for the District’s fiscal year ending November 30, 2021.
- GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the District’s fiscal year ending November 30, 2019.
- GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the District’s fiscal year ending November 20, 2021.
- GASB Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for the District’s fiscal year ending November 30, 2020.
- GASB Statement No. 91 – *Conduit Debt Obligations*, effective for the District’s fiscal year ending November 30, 2022.

The impact of these pronouncements on the District’s financial statements has not been determined.

D. CASH AND CASH EQUIVALENTS

The District considers cash and cash equivalents to include cash on hand, time and demand deposits and short-term investments maturing within three months from the date of acquisition.

E. INVESTMENTS

The District reports investments at fair value.

F. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE

Accounts receivable and taxes receivable are reported net of an allowance for uncollectible accounts. The allowances are calculated based on the age of the individual receivables.

G. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

COVENTRY FIRE DISTRICT

Notes to Financial Statements

November 30, 2017

H. CAPITAL ASSETS AND DEPRECIATION

Capital assets are reported in the Government-Wide Statement of Net Position. In the fund financial statements, capital assets used in governmental fund activities are accounted for as capital expenditures of the governmental fund upon acquisition.

All capital assets are recorded at cost (or estimated historical cost). Donated capital assets are recorded at acquisition value as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$10,000 and a useful life of less than 1 year.

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	40-50 years
Equipment	15 years
Vehicles	5-15 years

I. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that future period. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that future period.

In the Governmental Fund Financial Statements, deferred inflows of resources are reported for receivables recorded in the Governmental Fund Financial Statements for which the revenue is not available or amounts received before the period for which property taxes are levied. In the Government-Wide Financial Statements deferred outflows of resources and deferred inflows of resources are reported for amounts related to the District's pension plans that will be amortized as a component of pension expense in future years.

J. COMPENSATED ABSENCES

Under the terms of contracts and agreements employees are granted vacation and sick leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations). The amount recorded as a liability is the unused days earned as of November 30, 2017 at the current rate of pay. Compensated absences are reported as a long-term liability in the Government-Wide Financial Statements. For the Governmental Fund Financial Statements, the amount of accumulated vacation has been recorded as a current liability to the extent that the amounts are due to employees that have resigned or retired.

COVENTRY FIRE DISTRICT

Notes to Financial Statements

November 30, 2017

K. ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the Government-Wide Financial Statements.

For Governmental Fund Financial Statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgements are compensated absences paid from governmental funds are reported as a liability in the Governmental Fund Financial Statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the Governmental Fund Financial Statements until due.

L. NET POSITION/FUND BALANCES

The Government-Wide Financial Statements utilize a net position presentation. Net position is segregated into the following three categories:

Net investment in capital assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balance of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted net position – This category represents balances limited to use specified either externally by creditors, grantors, contributors, laws or regulations of other governments, or impose through constitutional provisions or enabling legislation.

Unrestricted net position – This category represents the residual component of net position that does not meet the definition of "restricted" or "net investment in capital assets".

The District considers restricted resources to have been spent when an expense is incurred for which both restricted and unrestricted net position are available.

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

Restricted Fund Balance – This classification includes amounts that have constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – This classification 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-

COVENTRY FIRE DISTRICT

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making authority. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specific use by taking the same type of action it employed to previously commit those amounts.

Assigned Fund Balance – This classification includes amounts constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance – This classification is the residual fund balance 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.

M. PENSIONS

For purposes of measuring the net pension assets, liabilities, 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) Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they have been reported by the Plan. 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.

N. USE OF ESTIMATES

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

NOTE 2 - CASH DEPOSITS

DEPOSITS – are held in two financial institutions. The carrying amount of deposits is separately displayed on the Balance Sheet of the Fund Financial Statements and the Statement of Net Position as “Cash and Cash Equivalents”.

	<i>Carrying Amount</i>
Total Deposits	\$739,435
Add: Petty cash	500
<i>Total Cash and Cash Equivalents Reported in the Financial Statements</i>	<hr/> <i>\$739,935</i> <hr/>

COVENTRY FIRE DISTRICT

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CUSTODIAL CREDIT RISK – custodial credit risk 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. The District does not have a formal deposit policy for custodial credit risk, but is governed by State laws as described below. As of November 30, 2017, \$263,207 of the District’s bank balance of \$781,400 was exposed to custodial credit risk as follows:

	<i>Bank Balance</i>
Insured (Federal depository insurance funds)	\$518,193
Uninsured and uncollateralized	263,207
<i>Total</i>	<u>\$781,400</u>

Under Rhode Island general laws, 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 (100%) of the deposits, which are time deposits with maturities greater than sixty (60) 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 (100%) of the deposits, regardless of maturity. At November 30, 2017, the District’s uninsured and uncollateralized deposits with institutions was \$263,207. These deposits are held by an institution that meets the minimum capital standards as prescribed by the federal regulators.

NOTE 3 – INVESTMENTS

As of November 30, 2017, the District had no investments.

The District’s General Fund investments are governed by Title 35, Chapter 10, Section 11 of the State’s General Laws. This law generally allows for short-term investments, such as Certificate of Deposits, Money Market Funds, Obligation guaranteed by the U.S. Government, etc. with the goal of seeking reasonable income while preserving capital.

Interest Rate Risk – The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The District is governed by State Laws that limit investment choices to short-term investments for its General Fund. The District does not have a formal policy that limits investment choices.

Concentration of Credit Risk – The District does not have a formal policy that limits the amount the District may invest in any one issuer.

COVENTRY FIRE DISTRICT

Notes to Financial Statements

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Custodial Credit Risk – Custodial credit risk for investments is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk.

NOTE 4 – FAIR VALUE MEASUREMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District had no recurring or nonrecurring fair value measurements as of November 30, 2017.

NOTE 5 – PROPERTY TAXES AND EMS RECEIVABLES

The District is permitted by state law to levy property taxes on all real estate and tangible personal property in the District. The District's fiscal 2016-2017 property taxes were levied on December 20, 2016 on assessed valuations as of December 31, 2015. Upon levy, taxes are due and payable on April 30, or may be paid quarterly on January 31, April 30, July 31, and October 31. All taxes not paid by required due dates are considered delinquent as of April 30th, at which time the unpaid taxes are subject to interest at an annual rate of 18% (1.5% per month). Taxable assessed values are established by the Tax Assessor of the Town of Coventry, Rhode Island. The tax rate of the District is established by the citizens at the District Annual Meeting.

The unpaid property taxes are recorded as a receivable. As of November 30, 2017 the District reported a property tax receivable of \$155,221. The property tax receivable includes an allowance for uncollectible accounts of \$17,000.

The District bills individuals, insurance companies, and the third parties for services related to the EMS rescue services provided. As of November 30, 2017 the District reported an EMS receivable of \$238,365. The EMS receivable includes an allowance for uncollectible accounts of \$79,000.

COVENTRY FIRE DISTRICT
Notes to Financial Statements
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NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended November 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 23,100	\$ -	\$ -	\$ 23,100
Construction in progress	-	12,500	-	12,500
Total nondepreciable assets	<u>23,100</u>	<u>12,500</u>	<u>-</u>	<u>35,600</u>
Depreciable assets:				
Buildings and improvements	246,500	-	-	246,500
Equipment	55,000	61,575	-	116,575
Vehicles/Apparatus	1,051,000	-	10,000	1,041,000
Total capital assets	<u>1,375,600</u>	<u>74,075</u>	<u>10,000</u>	<u>1,439,675</u>
Less accumulated depreciation for:				
Buildings and improvements	216,175	4,988	-	221,163
Equipment	37,167	6,647	-	43,814
Vehicles/Apparatus	665,135	50,000	10,000	705,135
Total accumulated depreciation	<u>918,477</u>	<u>61,635</u>	<u>10,000</u>	<u>970,112</u>
Governmental Activities Capital assets-net	<u>\$ 457,123</u>	<u>\$ 12,440</u>	<u>\$ -</u>	<u>\$ 469,563</u>

Depreciation expense of \$61,635 is charged to public safety-fire protection in the Government-Wide Financial Statements-Governmental Activities for the year ended November 30, 2017.

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Notes to Financial Statements
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NOTE 7 – NOTE PAYABLE

On August 12, 2010 the District entered into a Revolving Line-of-Credit Loan agreement evidenced by a Tax and Revenue Anticipation Note in the principal amount of \$500,000. The terms of the agreement required quarterly interest payments commencing August 31, 2010 through August 31, 2011 with a final payment of principal and interest due on November 30, 2011. The annual interest rate established under the terms of this agreement was 5.25%. The proceeds from the loan were to be used for the purpose of procuring real and personal estate, the erection and maintenance of buildings, the procuring of fire and water apparatus, for the payment of any legal indebtedness, or for the purpose of purchasing or procuring any other property, real or personal, that may be legally acquired and held by the District. The Note was secured by a first position written Commercial Code (“UCC”), security interest in anticipated tax receipts for fiscal year 2010-2011. The District was no longer eligible to obtain advances on the loan as of November 30, 2011. Annually, since the initial due date on the Note and through September 2014, an extension agreement on the Note had been entered into extending the term of the Note for an additional year.

In September 2015, the District was found to have one or more events of default as described in the original Note agreement. As result of these events of default the District entered into a forbearance agreement with the lender on October 16, 2015. Under the terms of the forbearance agreement the lender agreed that, provided the District is not then in default of its obligation and undertaking into the agreement, it will forbear from affirmatively executing its rights under its Collateral for the Note obligation from the time of entry into the forbearance agreement until October 28, 2016. The District agreed under the forbearance agreements to pay interest only payments on the Note with interest calculated in arrears at 5.25%, due quarterly on January 28, 2016, April 28, 2016, July 28, 2016, and October 28, 2016. The final amount of the Note, including any other obligations was due October 28, 2016. The District also was required under the forbearance agreement to grant the lender a mortgage on and security interest in the District’s real and personal property and to re-grant security interest in its accounts receivable and anticipated tax receipts. The District entered into a extension of the forbearance agreement with the lender, which extended the forbearance period until October 29, 2018.

The balance of the Note outstanding at November 30, 2017 was \$258,386. Interest expense incurred on the Note was \$20,633 for the fiscal year ended November 30, 2017, including approximately \$1,617 accrued at November 30, 2017.

COVENTRY FIRE DISTRICT

Notes to Financial Statements

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NOTE 8 - LONG-TERM LIABILITIES

A. LONG-TERM LIABILITES:

Changes in long-term liabilities during the year ended November 30, 2017 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<i>Governmental Activities:</i>					
<i>Government obligation contract and capital lease payable:</i>					
Government obligation contract	\$ 55,397	\$ -	\$ 12,899	\$ 42,498	\$ 13,513
Capital leases	225,233	12,047	53,037	184,243	57,911
<i>Total government obligation contract and capital leases</i>	280,630	12,047	65,936	226,741	71,424
<i>Other liabilities:</i>					
Accrued compensated absences	168,753	-	11,007	157,746	-
Net pension liability	2,582,995	-	290,901	2,292,094	-
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$ 3,032,378</u>	<u>\$ 12,047</u>	<u>\$ 367,844</u>	<u>\$ 2,676,581</u>	<u>\$ 71,424</u>

B. GOVERNMENT OBLIGATION CONTRACT

The District acquired a rescue valued at \$95,000 that was financed with a government obligation contract. The government obligation contract was dated April 1, 2014, with principal and interest being due annually on April 1, through April 1, 2020. The interest rate is 4.76%.

The debt service requirements at November 30, 2017 on the government obligation contract were as follows:

	Governmental Activities Government Obligation Contract		
<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
12/1/17-12/31/18	\$13,513	\$2,021	\$15,534
1/1/19-12/31/19	14,156	1,379	15,535
1/1/20-12/31/20	14,829	705	15,534
Total	<u>\$42,498</u>	<u>\$4,105</u>	<u>\$46,603</u>

COVENTRY FIRE DISTRICT

Notes to Financial Statements

November 30, 2017

C. CAPITAL LEASE COMMITMENTS

The District acquired a ladder truck valued at \$535,000 in 2010 and acquired a CPR device valued at \$12,047 in 2017 that were both financed with lease purchase agreements. Amortization of the assets acquired under the capital leases is included in depreciation expense for the year ended November 30, 2017.

Obligations under the capital leases as of November 30, 2017 were as follows:

<u>Fiscal year</u>	<u>Governmental Activities Lease Payment Requirements</u>
12/1/17-12/31/18	\$68,026
1/1/19-12/31/19	62,506
1/1/20-12/31/20	60,850
1/1/21-12/31/21	13,078
Total minimum lease payments	204,460
Less: amount representing interest cost	(20,217)
Present value of minimum lease payments	<u>\$184,243</u>

NOTE 9 - FUND BALANCE

As stated in Note 1, Fund Balance may be classified as one of five categories: Non-spendable, Restricted, Committed, Assigned, or Unassigned. Committed Fund Balance represents that amount of fund balance which can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. The taxpayers of the Coventry Fire District are considered to be the highest level of decision making authority. In accordance with the District Charter, the taxpayers vote on the annual budget and on any resolutions proposed by the Board of Directors. The passage of the District's annual budget and proposed resolutions may result in the commitment of fund balance.

Nonspendable fund balance at November 30, 2017 totaled \$82,464 and represented the balance of prepaid expenditures as of November 30, 2017. These prepaid expenditures consisted of insurance premiums totaling \$63,298, hydrant rental fees of \$13,766 and clothing allowances of \$5,400, which were paid as of November 30, 2017 for expenditures in fiscal 2018.

Restricted fund balance at November 30, 2017 was \$12,720 and represented fund balance restricted for fire prevention in accordance with Rhode Island State Law.

As of November 30, 2017 the Coventry Fire District does not have a spending policy regarding the order in which restricted, committed, assigned, and unassigned fund balances are spent when more

COVENTRY FIRE DISTRICT

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than one amount is available for the expenditures incurred. Accordingly, by default, the District is following the policy prescribed by GASB Statement No. 54 which specifies that fund balance is reduced first by committed, then by assigned, then by unassigned when expenditures are incurred for purposes for which any unrestricted fund balance could be used. In all situations, the District considers restricted fund balance to be used first when available and when expenditures are incurred that meet the requirements of the restricted fund balance.

Fund Deficits

The cumulative unassigned fund balance deficit of the District's General Fund at November 30, 2017 was \$203,693. The District's approved operating budgets for fiscal 2018 and fiscal 2019 include contingency, escrow and debt repayments line items to reduce outstanding payables for expenditures that were incurred and reported in previous fiscal years.

NOTE 10 - PENSION PLANS

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Defined Benefit Plans

General Information about the Pension Plan

Plan Description:

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

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at www.ersri.org.

Benefits Provided:

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

COVENTRY FIRE DISTRICT

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belonging to a unit separate from the general employees, with separate contribution rates applicable. The District has general employees and firefighters that participate in the MERS Plan.

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

Subsequent to June 30, 2015, litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, which have been included in the determination of the total pension liability at the June 30, 2017 measurement date and are reflected in the summary of benefit provisions described below.

General employees

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

Members who had at least five years of contributory service as of June 30, 2012 will be eligible for retirement at an individually determined age. This age is the result of interpolating between the member's prior retirement date, described below, and the retirement age applicable to members hired after June 30, 2012. 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.

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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.

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 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.

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

COVENTRY FIRE DISTRICT

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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.

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%

COVENTRY FIRE DISTRICT

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- c) The COLA will be limited to the first \$25,000 of the member's annual pension benefit. For retirees and beneficiaries who retired on or before July 1, 2015, years in which a COLA is payable based on the every fourth year provision 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.

The Coventry Fire District has elected COLA Plan C for general employees and fire employees and the “20-year” optional Police and Fire Plan as outlined above.

Employees covered by benefit terms:

At the June 30, 2016 valuation date (used to determine the June 30, 2017 measurement date), the following employees were covered by the benefit terms:

	General Employees	Fire Employees
Retirees and Beneficiaries	2	10
Inactive, Nonretired Members	0	2
Active Members	1	8
Total	3	20

Contributions:

The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 2% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 9.25%. Fire employees are required to contribute 10% of their salaries. The Coventry Fire District contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The District’s contribution rate, as determined by the actuarial valuation dated June 30, 2014, for the firefighters for the period December 1, 2016 through June 30, 2017 was 21.07%. The District’s contribution rate, as determined by the actuarial valuation dated June 30, 2015, for the firefighters for the period July 1, 2017 through November 30, 2017 was 20.35%. The District was not required to contribute to the MERS General Employees Plan (Coventry Lighting District) for the fiscal year ended November 30, 2017. The Coventry Fire District contributed \$106,303 to the Fire Employees Plan for the fiscal year ended November 30, 2017.

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Net Pension Liability (Asset):

The total pension (asset) liability was determined by actuarial valuations performed as of June 30, 2016 and rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Assumptions Used in the Valuations to Determine the Net Pension Liability (Asset) at the June 30, 2017 measurement date (June 30, 2016 valuation rolled forward to June 30, 2017)	
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	7.0%
Projected Salary Increases	<u>General Employees</u> 3.5% to 7.5%
	<u>Fire Employees</u> 4% to 14%
Inflation	2.75%
Mortality	Variants of the RP-2014 mortality tables-for improvements scale, update to the ultimate rates of the MP-2016 projection scale.
Cost of Living Adjustments (COLA)	A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2016 valuation rolled forward to June 30, 2017 and the calculation of the total pension liability at June 30, 2017 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

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 35 sources. The June 30, 2017 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

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Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity		
US Equity	20.60%	6.85%
International Developed Equity	15.90%	6.71%
Emerging Markets Equity	3.50%	8.91%
Private Growth		
Private Equity	11.30%	9.62%
Non-Core RE	2.20%	5.17%
OPP Private Credit	1.50%	9.62%
Income		
High Yield Infrastructure	1.00%	4.26%
REITS	1.00%	5.17%
Liquid Credit	2.80%	4.26%
Private Credit	3.20%	4.26%
Crisis Protection Class		
Treasury Duration	4.00%	0.83%
Systematic Trend	4.00%	3.81%
Inflation Protection		
Core Real Estate	3.60%	5.17%
Private Infrastructure	2.40%	5.57%
TIPs	1.00%	1.72%
Natural Resources	1.00%	3.98%
Volatility Protection		
IG Fixed Income	11.50%	2.12%
Absolute Return	6.50%	3.81%
Cash	3.00%	0.83%

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.

The following changes in actuarial assumptions have been made since the prior measurement date: inflation was changed from 2.75% to 2.5%; investment rate of return was changed from 7.5% to 7.0%; and mortality was changed from 115% (males) and 95% (females) of RP-2000 combined healthy with white collar adjustments projected with scale AA from 2000 to variants of the RP-2014 tables with MP-2016 projection scale.

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. The prior measurement date used a discount rate of 7.5%.

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November 30, 2017

General Employees Plan (Coventry Lighting)
Changes in the Net Position Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2016	\$ 581,905	\$ 1,128,522	\$ (546,617)
Changes for the Year			
Service cost	3,319	-	3,319
Interest on the total pension liability	41,457	-	41,457
Changes in benefits	-	-	-
Difference between expected and actual experience	(2,613)	-	(2,613)
Changes in assumptions	39,872	-	39,872
Employer contributions	-	-	-
Employee contributions	-	902	(902)
Net investment income	-	126,729	(126,729)
Benefit payments, including employee refunds	(61,605)	(61,605)	-
Administrative expenses	-	(1,197)	1,197
Other changes	-	(2)	2
Net changes	20,430	64,827	(44,397)
Balances as of June 30, 2017	\$ 602,335	\$ 1,193,349	\$ (591,014)

Fire Employees Plan
Changes in the Net Position Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2016	\$5,896,531	\$ 3,313,536	\$ 2,582,995
Changes for the Year			
Service cost	100,353	-	100,353
Interest on the total pension liability	434,634	-	434,634
Changes in benefits	-	-	-
Difference between expected and actual experience	(986,144)	-	(986,144)
Changes in assumptions	294,157	-	294,157
Employer contributions	-	119,501	(119,501)
Employee contributions	-	55,322	(55,322)
Net investment income	-	333,910	(333,910)
Benefit payments, including employee refunds	(303,173)	(303,173)	-
Administrative expenses	-	(3,155)	3,155
Other changes	-	(371,677)	371,677
Net changes	(460,173)	(169,272)	(290,901)
Balances as of June 30, 2017	\$5,436,358	\$ 3,144,264	\$ 2,292,094

COVENTRY FIRE DISTRICT

Notes to Financial Statements

November 30, 2017

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate:

The following presents the net pension liability (asset) of the District calculated using the discount rate of 7.0%, as well as what the Districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease	Current	1% Increase
	(6.0%)	Discount Rate	(8.0%)
	(6.0%)	(7.0%)	(8.0%)
General Employees	\$ (517,729)	\$ (591,014)	\$ (645,620)
Fire Employees	\$ 2,924,014	\$ 2,292,094	\$ 1,821,500

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 Pension Plans:

For the fiscal year ended November 30, 2017 the District recognized pension expense as follows: general employees plan - \$(110,281); and fire employees plan - \$505,421.

The District reported deferred outflows and inflows of resources related to pensions from the following sources:

	General	Fire	Total
	Employees	Employees	All
	Plan	Plan	Plans
Deferred Outflows of Resources:			
Contributions subsequent to measurement date	\$ -	\$ 46,884	\$ 46,884
Net difference between projected and actual investment earnings	25,629	98,140	123,769
Difference between expected and actual experience	-	56,154	56,154
Assumption changes	28,404	242,026	270,430
Total Deferred Outflows of Resources	\$ 54,033	\$ 443,204	\$ 497,237
Deferred Inflows of Resources:			
Difference between expected and actual experience	\$ 92,703	\$ 946,059	\$ 1,038,762
Assumption changes	-	30,847	30,847
Total Deferred Inflows of Resources	\$ 92,703	\$ 976,906	\$ 1,069,609

COVENTRY FIRE DISTRICT

Notes to Financial Statements

November 30, 2017

The deferred outflows of resources related to pensions resulting from the District contributions in fiscal year 2017 subsequent to the measurement date (June 30, 2017) will be recognized as a reduction of the net pension liability (asset) for the year ended November 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Net Deferred Outflows/(Inflows) of Resources	
	General Employees Plan	Fire Employees Plan
2018	\$ (73,034)	\$(119,432)
2019	29,544	(71,246)
2020	13,703	(107,219)
2021	(8,883)	(159,815)
2022	-	(95,128)
Thereafter	-	(27,746)

Defined Contribution Plan

Plan Description:

Certain employees participating in the defined benefit plan, as described above, may also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants.

General employees with less than 20 years of service on June 30, 2012 contribute 5% and fire employees contribute 3%. of their annual covered salary and employers contribute for general employees between 1% and 1.5% of annual covered salary depending on the employee's total years of service as of June 30, 2012 and 3% for fire employees. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

The District recognized pension expense of \$15,797 for the fiscal year ended November 30, 2017.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the System. The report may be obtained at <http://www.ersri.org>.

COVENTRY FIRE DISTRICT
Notes to Financial Statements
November 30, 2017

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Defined Benefit Plan

Plan Description:

The Coventry Fire District administers a single-employer defined benefit post-employment healthcare plan. The plan does not include the pension benefits discussed in Note 10. The plan provides health and dental insurance benefits to eligible retirees through the District's group health and dental insurance plans, which cover both active and retired members. Benefits provisions are established by the collective bargaining agreement and amended through negotiations between the District's management and the union.

The Plan does not issue a stand-alone financial report.

Employees are eligible for retiree benefits, if the employee has ten or more years of service and are vested in the Rhode Island Municipal Employees' Retirement System as of January 1, 2011, and who retire with twenty or more years of service at any age. The plan provides the following benefits:

The retired employee is provided single plan coverage and receives the same health and dental insurance benefits offered to full time employees, for up to ten years or until age sixty-five, whichever occurs first. The retired employee has the option to purchase family coverage through the District.

The District also offers employees who are eligible for the benefits as described above, upon retirement, the one-time option to opt not to receive the benefits described above. If the employee elects to opt out, the retired employee will receive sixty six and two third percent (66 2/3%) of the total health and dental insurance cost which the District was contributing for the employee at the time of retirement, for up to ten years or until age sixty-five, whichever occurs first.

The District also offered to the employees who were eligible for the benefits as described above at the time of the execution of the collective bargaining agreement, the right to refuse the benefits described above within sixty days from the execution of the agreement and the right to enroll in the Post Employment Health Plan (PEHP) described below.

The total plan participants included 2 active employees and 4 retirees.

Funding Policy:

Contribution requirements are negotiated between the District's management and the union. The District is required to contribute 100% of the cost of the health and dental insurance benefits provided to the retirees under this plan. For the year ended November 30, 2017 the plan operated on a "pay as you go basis" and no provisions has been made to future benefits to be provided to plan members.

COVENTRY FIRE DISTRICT

Notes to Financial Statements

November 30, 2017

Annual OPEB Cost and Net OPEB Obligation:

The District's annual other postemployment benefit (OPEB) cost for the plan was not calculated based on the annual required contribution (ARC) for the employer, which is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The District has therefore not reported in the financial statements in conformance with accounting principles generally accepted in the United States of America the annual OPEB cost and the Net OPEB Obligation for the year ended November 30, 2017. The Net OPEB Obligation is the cumulative difference, since the effective date of GASB Statement No. 45, between the annual OPEB cost and the employer's contribution to the plan.

The District's contribution to the plan for the year ended November 30, 2017 was \$75,200.

Defined Contribution Plan

Plan Description:

The Post Employment Health Plan (PEHP) is a defined contribution post-employment benefit plan established by the Coventry Fire District to provide post retirement reimbursement of qualifying medical care expenses and healthcare insurance premiums to the employees of the District. Full time employees of the District that have completed the first year of probationary time are enrolled and remain enrolled in the PEHP for the duration of his/her employment. Employees that elect post-employment healthcare benefits under the defined benefit post-employment healthcare plan are not allowed to be enrolled in the PEHP.

The PEHP is administered by Nationwide Retirement Solutions. The benefits are funded through a trust that qualifies as a voluntary employee beneficiary association within the meaning of Section 501(c) 9 of the IRS Code of 1986, as amended. The trustee of the PEHP is Nationwide Trust Company.

The District is required to contribute 5% of the employee's weekly salary to the PEHP. Employees are not allowed to contribute to the PEHP. The required contributions are established by the collective bargaining agreement and amended through negotiations between the District's management and the union. The District recognized other post-employment benefit expense of \$20,210 for the PEHP for the fiscal year ended November 30, 2017.

NOTE 12 - CONTINGENCIES

At times, the District receives grants from various federal and state agencies for specific purposes that are subject to review and audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District anticipates such amounts, if any, will be immaterial.

COVENTRY FIRE DISTRICT

Notes to Financial Statements

November 30, 2017

As of November 30, 2017, the District had a claim outstanding for unpaid electric bills for street lighting. The District is questioning their responsibility to pay these bills and the matter is in litigation before the RI Superior Court. The District has accrued and reported as an accounts payable in the financial statements as of November 30, 2017 all outstanding electric bills related to street lighting, which total \$470,939. The District is setting aside in a separate cash account funds to be used to pay the disputed bills. The separate cash account had a balance of \$273,139 as of November 30, 2017.

The District is also a party to various claims, legal actions and complaints during the ordinary course of its operations. The potential liability to the District, if any, or an evaluation of the outcome of these matters cannot be made at the present time.

NOTE 13 - 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; injury to employees; and natural disasters for which the District carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

NOTE 14- SUBSEQUENT EVENTS

On June 22, 2017 the District changed its fiscal year. Effective for 2017 through 2018, the District's fiscal year shall be from December 1, 2017 to December 31, 2018. Beginning on January 1, 2019, and each year thereafter, the District's fiscal year shall be a calendar year from January 1 until December 31.

On August 1, 2018 the District entered into a master equipment lease purchase agreement for \$239,796 for the purchase of an ambulance. The lease term is 5 years with annual payments of \$53,856.

COVENTRY FIRE DISTRICT
Budgetary Comparison Schedule - General Fund
Schedule of Revenues and Expenditures (Budgetary Basis)
For the Fiscal Year Ended November 30, 2017

	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance Positive Negative</i>
Revenues			
Property taxes	\$ 2,257,000	\$ 2,266,002	\$ 9,002
Interest on taxes	20,000	38,987	18,987
Rescue run revenue - net	281,000	299,548	18,548
Other revenues	-	4,880	4,880
Total revenues	2,558,000	2,609,417	51,417
Expenditures			
Personnel Costs			
Clothing allowance	10,800	4,800	6,000
Insurance - medical	76,740	73,894	2,846
Insurance - medical - opt out	11,232	7,153	4,079
Insurance Delta Dental	8,376	12,169	(3,793)
Insurance - life	2,250	2,000	250
Insurance - HSA	10,000	8,434	1,566
Insurance - VFIS	32,000	32,642	(642)
Insurance - Allstate accident	-	(315)	315
Medical expenses	12,000	5,178	6,822
Payroll - Chief & Firefighters base	503,043	436,141	66,902
Payroll - holiday	26,035	23,369	2,666
Payroll OT	125,000	209,509	(84,509)
Payroll OJI	30,000	37,137	(7,137)
Payroll - detail pay	-	3,775	(3,775)
Payroll - longevity	34,547	34,076	471
Payroll - EMT	18,720	15,721	2,999
Payroll - administrative	34,996	45,325	(10,329)
Payroll taxes	14,529	13,658	871
Pension - ERSRI	118,129	106,303	11,826
Pension - TIAA CREF	17,525	15,797	1,728
Post employment health plan	15,501	20,210	(4,709)
Total personnel costs	1,101,423	1,106,976	(5,553)
Retiree Costs			
Blue Cross	53,496	54,329	(833)
Opt out	10,656	11,070	(414)
HRA	11,400	9,801	1,599
Delta Dental	5,280	-	5,280
Cola	3,463	3,714	(251)
Sick and vacation payout	119,677	-	119,677
Total retiree costs	203,972	78,914	125,058

(Continued)

The notes to the required supplementary information are an integral part of this schedule.

COVENTRY FIRE DISTRICT
Budgetary Comparison Schedule - General Fund
Schedule of Revenues and Expenditures (Budgetary Basis) (Continued)
For the Fiscal Year Ended November 30, 2017

	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance Positive Negative</i>
Operating Costs			
Bookkeeping and admin fees	48,000	41,081	6,919
Auditing fees	15,000	-	15,000
Advertising	1,500	4,830	(3,330)
Annual meeting expense	3,500	2,819	681
Bank charges	800	4,770	(3,970)
Equipment - fire	1,000	5,128	(4,128)
Fuel - diesel/gas	15,000	9,062	5,938
Hydrants	166,000	161,970	4,030
Insurance - property and casualty	35,000	29,484	5,516
Insurance - Beacon Mutual	500	309	191
Legal - regular	50,000	119,390	(69,390)
Lease - ladder truck	60,900	60,850	50
Lease - rescue	15,534	15,534	-
Lease - CPR	-	4,416	(4,416)
Lease - copy machine	850	314	536
Debt Service - Note Interest	24,000	20,633	3,367
Computer software	-	900	(900)
Miscellaneous	2,000	2,285	(285)
Pitney Bowes rental	1,500	1,500	-
Service contract/IT	6,000	2,500	3,500
R & M - vehicles & equipment	25,000	31,607	(6,607)
R & M - facilities	40,000	37,362	2,638
Street lighting	175,000	137,461	37,539
Supplies rescue	4,000	10,281	(6,281)
Supplies station	3,000	514	2,486
Supplies adm, pr sv, postage	6,000	10,787	(4,787)
Supplies fire	500	14,055	(13,555)
Training	3,840	7,037	(3,197)
Telecom - mobile	2,800	1,247	1,553
Telecom - stations	4,000	1,887	2,113
Utilities - electric	12,000	11,414	586
Utilities - gas	7,000	3,958	3,042
Utilities - internet/cable	850	2,005	(1,155)
Utilities - oil	-	118	(118)
Utilities - propane	100	81	19
Utilities - water	1,000	848	152
Total operating costs	732,174	758,437	(26,263)
Contingencies, Escrows and Equipment			
Miscellaneous	50,000	-	50,000
Legal\Accounting - KCWA	25,000	-	25,000
Retiree benefits reserve	100,000	-	100,000
National Grid - Escrow	60,000	-	60,000
Equipment replacement	80,000	49,529	30,471
Total contingencies	315,000	49,529	265,471

(Continued)

The notes to the required supplementary information are an integral part of this schedule.

COVENTRY FIRE DISTRICT
Budgetary Comparison Schedule - General Fund
Schedule of Revenues and Expenditures (Budgetary Basis) (Continued)
For the Fiscal Year Ended November 30, 2017

	<i>Original and Final Budget</i>	<i>Actual</i>	<i>Variance Positive Negative</i>
Debt Repayments - 5 year payback			
Line of credit	60,000	160,000	(100,000)
KCWS	93,880	-	93,880
ERSI\TIAA CREF\Legal	70,000	7,772	62,228
North American Power	16,000	-	16,000
<i>Total debt repayments</i>	<u>239,880</u>	<u>167,772</u>	<u>72,108</u>
<i>Total expenditures</i>	<u>2,592,449</u>	<u>2,161,628</u>	<u>430,821</u>
<i>Excess of revenues over expenditures-Budgetary Basis</i>	<u>\$ (34,449)</u>	<u>\$ 447,789</u>	<u>\$ 482,238</u>

The notes to the required supplementary information are an integral part of this schedule.

COVENTRY FIRE DISTRICT
Required Supplementary Information
General Employees Pension Plan - Coventry Lighting
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios (1)
"Unaudited"

<i>Fiscal Year End (2)</i>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total Pension Liability:				
Service cost	\$ 3,319	\$ 2,638	\$ 4,618	\$ 4,851
Interest	41,457	61,373	56,469	57,814
Changes in benefit terms	-	-	12,396	-
Difference between expected and actual experience	(2,613)	(268,408)	52,382	-
Changes in assumptions	39,872	-	-	615
Benefit payments, including refunds of member contributions	(61,605)	(61,383)	(57,587)	(104,593)
Net change in total pension liability	<u>20,430</u>	<u>(265,780)</u>	<u>68,278</u>	<u>(41,313)</u>
Total pension liability - beginning of year	<u>581,905</u>	<u>847,685</u>	<u>779,407</u>	<u>820,720</u>
Total pension liability - ending of year (a)	<u>\$ 602,335</u>	<u>\$ 581,905</u>	<u>\$ 847,685</u>	<u>\$ 779,407</u>
Plan fiduciary net position:				
Contribution - employer	\$ -	\$ -	\$ -	\$ (223)
Contribution - employee	902	720	694	768
Net investment income	126,729	(391)	27,902	162,589
Benefit payments, including refunds of member contributions	(61,605)	(61,383)	(57,587)	(104,593)
Administrative expenses	(1,197)	(1,054)	(1,121)	(1,018)
Other	(2)	(1)	1	-
Net change in plan fiduciary net position	<u>64,827</u>	<u>(62,109)</u>	<u>(30,111)</u>	<u>57,523</u>
Plan fiduciary net position - beginning of year	<u>1,128,522</u>	<u>1,190,631</u>	<u>1,220,742</u>	<u>1,163,219</u>
Plan fiduciary net position - ending of year (b)	<u>\$ 1,193,349</u>	<u>\$ 1,128,522</u>	<u>\$ 1,190,631</u>	<u>\$ 1,220,742</u>
District's net pension liability (asset) - ending (a)-(b)	<u>\$ (591,014)</u>	<u>\$ (546,617)</u>	<u>\$ (342,946)</u>	<u>\$ (441,335)</u>
Plan fiduciary net position as a percentage of the total pension liability	198.12%	193.94%	140.46%	156.62%
Covered-employee payroll	<u>\$ 45,100</u>	<u>\$ 35,992</u>	<u>\$ 36,132</u>	<u>\$ 38,381</u>
Net pension liability (asset) as a percentage of covered-employee payroll	-1310.45%	-1518.72%	-949.15%	-1149.88%

(1) This schedule is intended to show 10-years- additional information will be presented as it becomes available.

(2) The MERS Plan administered by the ERSRI reports activity using a June 30 fiscal year end. As a result, the information presented on this schedule reports on the same basis which is the most recent information available.

The notes to the required supplementary information are an integral part of this schedule.

COVENTRY FIRE DISTRICT
Required Supplementary Information
Schedule of District Contribution (1)
General Employees - Coventry Lighting
"Unaudited"

(2) Fiscal Year Ending	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as % of Covered Payroll
6/30/2017	\$ -	\$ -	\$ -	\$ 45,100	0.00%
6/30/2016	\$ -	\$ -	\$ -	\$ 35,992	0.00%
6/30/2015	\$ -	\$ -	\$ -	\$ 36,132	0.00%
6/30/2014	\$ (223)	\$ (223)	\$ -	\$ 38,381	-0.58%

- (1) This schedule is intended to show 10-years- additional information will be presented as it becomes available.
- (2) The MERS Plan administered by the ERSRI reports activity using a June 30 fiscal year end. As a result, the information presented on this schedule reports on the same basis which is the most recent information available.

The notes to the required supplementary information are an integral part of this schedule.

COVENTRY FIRE DISTRICT
Required Supplementary Information
Fire Employees Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios (1)
"Unaudited"

<i>Fiscal Year End (2)</i>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total Pension Liability:				
Service cost	\$ 100,353	\$ 117,123	\$ 165,247	\$ 167,637
Interest	434,634	432,344	386,523	365,852
Changes in benefit terms	-	-	294,191	-
Difference between expected and actual experience	(986,144)	(176,437)	82,809	-
Changes in assumptions	294,157	-	-	(48,183)
Benefit payments, including refunds of member contributions	(303,173)	(365,038)	(222,487)	(194,503)
Net change in total pension liability	<u>(460,173)</u>	<u>7,992</u>	<u>706,283</u>	<u>290,803</u>
Total pension liability - beginning of year	5,896,531	5,888,539	5,182,256	4,891,453
Total pension liability - ending of year (a)	<u>\$ 5,436,358</u>	<u>\$ 5,896,531</u>	<u>\$ 5,888,539</u>	<u>\$ 5,182,256</u>
Plan fiduciary net position:				
Contribution - employer	\$ 119,501	\$ 150,048	\$ 220,732	\$ 175,293
Contribution - employee	55,322	68,631	80,413	81,724
Net investment income	333,910	(1,150)	85,955	467,045
Benefit payments, including refunds of member contributions	(303,173)	(365,038)	(222,487)	(194,503)
Administrative expenses	(3,155)	(3,094)	(3,447)	(2,925)
Other	(371,677)	(203,667)	1	(10,087)
Net change in plan fiduciary net position	<u>(169,272)</u>	<u>(354,270)</u>	<u>161,167</u>	<u>516,547</u>
Plan fiduciary net position - beginning of year	3,313,536	3,667,806	3,506,639	2,990,092
Plan fiduciary net position - ending of year (b)	<u>\$ 3,144,264</u>	<u>\$ 3,313,536</u>	<u>\$ 3,667,806</u>	<u>\$ 3,506,639</u>
District's net pension liability - ending (a)-(b)	\$ 2,292,094	\$ 2,582,995	\$ 2,220,733	\$ 1,675,617
Plan fiduciary net position as a percentage of the total pension liability	57.84%	56.19%	62.29%	67.67%
Covered-employee payroll	\$ 539,245	\$ 649,242	\$ 1,005,155	\$ 1,021,551
Net pension liability as a percentage of covered-employee payroll	425.06%	397.85%	220.93%	164.03%

- (1) This schedule is intended to show 10-years- additional information will be presented as it becomes available.
- (2) The MERS Plan administered by the ERSRI reports activity using a June 30 fiscal year end. As a result, the information presented on this schedule reports on the same basis which is the most recent information available.

The notes to the required supplementary information are an integral part of this schedule.

COVENTRY FIRE DISTRICT
Required Supplementary Information
Schedule of District Contributions (1)
Fire Employees
"Unaudited"

(2) Fiscal Year Ending	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as % of Covered Payroll
6/30/2017	\$ 119,501	\$ 119,501	\$ -	\$ 539,245	22.16%
6/30/2016	\$ 150,048	\$ 150,048	\$ -	\$ 649,242	23.11%
6/30/2015	\$ 220,732	\$ 220,732	\$ -	\$ 1,005,155	21.96%
6/30/2014	\$ 175,293	\$ 175,293	\$ -	\$ 1,021,551	17.16%

- (1) This schedule is intended to show 10-years- additional information will be presented as it becomes available.
- (2) The MERS Plan administered by the ERSRI reports activity using a June 30 fiscal year end. As a result, the information presented on this schedule reports on the same basis which is the most recent information available.

The notes to the required supplementary information are an integral part of this schedule.

COVENTRY FIRE DISTRICT
Notes to Required Supplementary Information
November 30, 2017

NOTE 1 – PENSION PLANS

The actuarial methods and assumptions used to calculate the total pension liability are described in Note 10 to the financial statements.

The net pension liability (asset) amounts presented for each fiscal year were determined as of the June 30 measurement date prior to the November 30 fiscal year-end.

The schedules are intended to present ten years of data. Additional years of data will be presented as they become available.

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 from 2.75% to 2.50 %
- Decreased the nominal investment return assumption from 7.50% to 7.0%
- 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.

Actuarially Determined Contributions:

Actuarially determined contribution rates are calculated as of June 30 of each plan year and effective 2 years after the actuarial valuation. The following actuarial methods and assumptions were used to determine contribution amounts reported in that schedule:

- Actuarial cost method – Entry Age Normal
- Amortization method - Level percentage of payroll, closed
- Remaining amortization period - 21 years
- Asset valuation method – 5-year smoothed market
- Inflation – 2.75%
- Investment return - 7.50%
- Salary increases – 3.75% to 7.50% for general employees; 4.0% to 14% for fire employees.
- Retirement age – Experienced-based table of rates that are specific to the type of eligibility condition.
- Mortality – Males, General and Fire Employees – 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.
- Mortality – Females, General and Fire Employees – 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.

Employers participating in the Municipal Employees' Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

COVENTRY FIRE DISTRICT
Notes to Required Supplementary Information
 November 30, 2017

NOTE 2 – BUDGETARY DATA AND BUDGETARY COMPLIANCE

The District has formally established budgetary accounting control for its General Fund. It is the responsibility of the Board of Directors to prepare and to make available to the taxpayers of the District a proposed General Fund budget for the fiscal year. The final recommended budget is legally enacted by vote of the District taxpayers at the Annual District Meeting. The General Fund operating budget is supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. Amendments that would change the total appropriation must be approved by voters of the District at a Special District Meeting. There were no supplemental budgetary appropriations in fiscal year 2017. Appropriations which are not expended or encumbered lapse at year end.

The General Fund budget is in conformity with the legally enacted budgetary basis, which is not in conformity with generally accepted accounting principles. The budget to actual presentation for the General Fund reported as required supplementary information is reflected on the budgetary basis.

Explanation of Differences between General Fund Budgetary Revenues and Other Financing Sources and Expenditures and Other Financing Uses and GAAP Revenues and Other Financing Sources and Expenditures and Other Financing Uses:

Revenues and Other Financing Sources

Actual amounts (budgetary basis)	\$2,609,417
Differences – budget to GAAP:	

Capital leases issued are not reported as a budgetary other financing source, but are reported as an other financing source for financial reporting purposes	<u>12,047</u>
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<i>Total revenues and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$2,621,464</u>
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Expenditures and Other Financing Uses

Actual amounts (budgetary basis)	
Differences – budget to GAAP:	\$2,161,628

Capital assets financed with a capital lease are not reported as a budgetary expenditure, but are reported as an expenditure for financial reporting purposes.	12,047
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The note payable principal payment is reported as a budgetary expenditure, but is reported as a decrease in the note payable liability for financial reporting purposes.	<u>(160,000)</u>
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<i>Total expenditures and other financing uses as reported on the statement of revenues, expenditure and changes in fund balances – governmental funds</i>	<u>\$2,013,675</u>
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COVENTRY FIRE DISTRICT
Tax Collector's Annual Report
For the Fiscal Year Ended November 30, 2017

<i>Fiscal Year</i>	<i>Balance November 30, 2016</i>	<i>Current Year Assessment</i>	<i>Additions</i>	<i>Abatements</i>	<i>Refunds & Adjustments</i>	<i>Amount to be Collected</i>	<i>Current Year Collections</i>	<i>Balance November 30, 2017</i>
2017	\$ -	2,284,225	1,953	129	\$ (6,754)	2,279,295	\$ 2,130,300	\$ 148,995
2016	166,153	-	-	37,776	4,237	132,614	117,275	15,339
2015	5,001	-	-	-	341	5,342	2,080	3,262
2014	(1,413)	-	-	-	42	(1,371)	674	(2,045)
2013	2,221	-	-	-	153	2,374	-	2,374
2012	937	-	-	-	2	939	-	939
2011	774	-	-	-	5	779	-	779
2010	845	-	-	-	-	845	-	845
2009	642	-	-	-	-	642	-	642
2008	551	-	-	-	-	551	-	551
2007 & Prior	322	-	-	-	218	540	-	540
	176,033	\$ 2,284,225	\$ 1,953	\$ 37,905	\$ (1,756)	\$ 2,422,550	\$ 2,250,329	172,221
Less allowance for uncollectible account	(17,000)							(17,000)
Net property tax receivable	\$ 159,033							\$ 155,221

Schedule of Net Assessed Property Value by Category

<i>Description of Property</i>	<i>Valuations December 31, 2015</i>	<i>Levy December 20, 2016</i>
Real Property	\$ 654,992,610	\$ 2,703,786
Tangible Personal Property	17,327,485	85,996
Total	672,320,095	2,789,782
Tax freeze property	-	(505,557)
Net Assessed Value	\$ 672,320,095	\$ 2,284,225

Reconciliation of Current Year Property Tax Revenue

Current year collections	\$ 2,250,329
Refunds	(2,014)
December-January 2018 Collections Subject to 60 day FY 17 Accrual	67,814
December-January 2017 Collections Subject to 60 day FY 16 Accrual	(50,127)
Current year property tax revenue	\$ 2,266,002

(Continued)

COVENTRY FIRE DISTRICT
Tax Collector's Annual Report (Continued)
For the Fiscal Year Ended November 30, 2017

Fiscal Year 2016 Cash Collection Summary

<i>Fiscal</i>	<i>December- January 2017</i>		<i>Total FY 2017</i>	<i>December- January 2018</i>	
	<i>Collections Subject to 60 day FY 16</i>	<i>February- November 2017</i>		<i>Collections Subject to 60 day FY 17</i>	
<u><i>Year</i></u>	<u><i>Accrual</i></u>	<u><i>Collections</i></u>	<u><i>Cash Collections</i></u>	<u><i>Accrual</i></u>	
2017	\$ -	\$ 2,130,300	\$ 2,130,300	\$ 62,452	
2016	49,830	67,445	117,275	5,362	
2015	297	1,783	2,080	-	
2014	-	674	674	-	
2013	-	-	-	-	
2012	-	-	-	-	
2011	-	-	-	-	
2010	-	-	-	-	
2009	-	-	-	-	
2008	-	-	-	-	
2007 & Prior	-	-	-	-	
	<u>\$ 50,127</u>	<u>\$ 2,200,202</u>	<u>\$ 2,250,329</u>	<u>\$ 67,814</u>	



CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

To the Board of Directors
Coventry Fire District
Coventry, Rhode Island

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 and each major fund of the Coventry Fire District as of and for the year ended November 30, 2017, and the related notes to the financial statements, which collectively comprise the Coventry Fire District's basic financial statements, and have issued our report thereon dated February 6, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Coventry 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coventry Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Coventry 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 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, item 2017-01 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coventry Fire District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the 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*.

Coventry Fire District's Response to Findings

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

Purpose of this Report

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

Bacon & Company CPAs, LLC

Warwick, Rhode Island
February 6, 2020

COVENTRY FIRE DISTRICT
Schedule of Findings and Responses
November 30, 2017

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES:

2017-001– Segregation of Duties:

Criteria: Segregation of duties is an instrumental component to having an effective system of internal controls. Segregation of duties is an element of internal control that is designed to prevent, detect and correct misstatements in a timely manner, whether due to fraud or error. Proper segregation of duties decreases the District’s risk of intentional or unintentional misuse or misappropriation of District assets. Duties and responsibilities should be assigned to personnel so that no one person is responsible for all aspects of a financial transaction.

Condition: The District’s Tax Collector is currently responsible for all aspects of the tax collection process. The District’s Tax Collector is responsible for collecting and depositing all tax revenue, maintaining the tax receivable system, including posting tax payments, issuing and posting abatement of taxes, monitoring delinquent accounts and initiating tax sales. The District also does not have any policies or procedures requiring a detailed reconciliation between the Treasurer’s general ledger accounting records and the tax receivable subsidiary ledger.

Effect: Increase in the risk of misstatements, whether due to fraud or error, from not being prevented, detected or corrected in a timely manner.

Cause: There is limited number of staff in the Tax Collector’s office.

Identification of a repeat finding: This is a repeat finding from previous audits 2016-001 and 2015-002.

Recommendation: We recommend that the District review the current job responsibilities of the Tax Collector to attempt to segregate certain responsibilities. We suggest that delinquent accounts and adjustments to the tax receivable subsidiary ledger be reviewed by another independent individual, in addition to the Tax Collector. We also recommend that Treasurer record all property tax receivable transactions to the general ledger including the approved levy, approved abatements, and tax receipts and that on a monthly basis the Treasurer and Tax Collector reconcile between the general ledger and property tax subsidiary ledger.

Views of Responsible Official and Planned Corrective Action: The District Treasurer agrees with the auditor’s recommendation and will commence the development of an enhanced system of controls that will help mitigate the risk of intentional or unintentional errors or irregularities from occurring.