

WEST BARNSTABLE FIRE DISTRICT
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2018

WEST BARNSTABLE FIRE DISTRICT
BASIC FINANCIAL STATEMENTS
AND MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Prudential Committee
West Barnstable Fire District
West Barnstable, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Barnstable Fire District (the "District"), West Barnstable, Massachusetts, as of and for the year ended June 30, 2018, 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 statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the West Barnstable Fire District, as of June 30, 2018, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principal

As discussed in Note 14 to the financial statements, during fiscal year 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The District reported a restatement for the change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iii – ix, and the Schedule of Changes in District's Net OPEB Liability and Related Ratios, Schedule of Contributions – Other Postemployment Benefits and Related Notes, Schedule of Investment Returns – Other Postemployment Benefits, Schedule of Pension Plan Contributions and Budgetary Comparison Schedule – General Fund and Related Notes on pages 32 - 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2019, on our consideration of the West Barnstable 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 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 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 West Barnstable Fire District's internal control over financial reporting and compliance.

Lynch Marini + Associates Inc.

Norwell, Massachusetts
February 21, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST BARNSTABLE FIRE DISTRICT
Management's Discussion and Analysis
June 30, 2018

As management of the West Barnstable Fire District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. The intent of this discussion is to look at the District's financial performance as a whole. Readers should also review the financial statements, with notes, to enhance their understanding of the District's financial performance.

Financial Highlights:

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1.1 million (net position). The District's net investment in capital assets and restricted net position was \$1.9 million and \$99,000, respectively. The District reported a deficit unrestricted net position of \$923,000 at year end, primarily due to reporting of net other postemployment benefits (OPEB) liability and net pension liability.
- The total cost of all District services for fiscal year 2018 was \$2.3 million.
- As of the end of the current fiscal year, unassigned fund balance for the General Fund was \$570,000, or approximately 27% of General Fund expenditures.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. The notes to the financial statements provide information related to these statements, which are essential in understanding the current financial statements and comparisons with previous years. Required supplementary information as mandated by the Government Accounting Standards Board (GASB) is presented following the financial statements and related notes to provide additional analysis.

Due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, beginning net position has been restated in these financial statements; however prior year amounts have not been restated for the purpose of this analysis.

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

The *statement of net position* presents information on all of the District's assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, with the difference reported as net position. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The reader should also consider other non-financial factors, such as the condition of the District's infrastructure, to assess the overall health of the District.

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Management's Discussion and Analysis
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The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include prudential operations and fire operations. The District does not currently have any business-type activities.

The basic government-wide financial statements can be found in the accompanying pages of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Fire Engine Fund which are considered to be major funds. The remaining funds are aggregated and shown as other governmental funds.

The basic governmental fund financial statements can be found in the accompanying pages of this report.

WEST BARNSTABLE FIRE DISTRICT
 Management's Discussion and Analysis
 June 30, 2018

Fiduciary funds: *Fiduciary funds* are used to account for resources held in a trustee or agency capacity for others and therefore, are not available to support District programs. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's programs.

The District has one fiduciary fund which was previously established as an Other Postemployment Benefits (OPEB) Trust Fund, pursuant to Massachusetts General Law (MGL) Chapter 32B, Section 20. The purpose of the fund is to set aside resources for future benefit payments related to retiree healthcare and other postemployment benefits, excluding pension benefits.

In fiscal year 2016, the District entered into the Plymouth County Other Postemployment Benefits Trust Program (Program). The objective of the Program is to assist public entities (counties, cities, towns, school districts, special districts, and municipal light plants) in Plymouth County and neighboring Norfolk, Bristol, and Barnstable counties with pre-funding their obligations for other postemployment benefits (other than pensions) by investing in a manner in accordance with Massachusetts Government code within IRC Section 115 multiple employer trust.

The basic fiduciary fund financial statements can be found in the accompanying pages of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements described above.

Required supplementary information: The Government Accounting Standards Board requires the presentation of the Schedule of Changes in the District's Net OPEB Liability and Related Ratios, Schedule of Contributions – Other Postemployment Benefits (OPEB), Schedule of Investment Returns – Other Postemployment Benefits (OPEB), Schedule of Pension Plan Contributions, the Budgetary Comparison Schedule – General Fund and Notes to the Budgetary Comparison Schedule. This information follows the District's basic financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the West Barnstable Fire District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.1 million for governmental activities at the close of the most recent fiscal. The following table demonstrates the net position of the District (it should be noted that prior year balances have not been restated to conform to the implementation of GASB Statement No. 75):

	FY 2018	FY 2017
	Governmental	Governmental
	<u>Activities</u>	<u>Activities</u>
Current assets	\$ 1,248,197	\$ 1,586,501
Capital assets, net of accumulated depreciation	2,248,193	1,822,910
Total assets	3,496,390	3,409,411
Deferred outflows of resources	264,722	280,380
Total assets and deferred outflows of resources	\$ 3,761,112	\$ 3,689,791

WEST BARNSTABLE FIRE DISTRICT
Management's Discussion and Analysis
June 30, 2018

	FY 2018 Governmental <u>Activities</u>	FY 2017 Governmental <u>Activities</u>
Current liabilities	\$ 347,088	\$ 61,507
Long term liabilities	<u>2,175,752</u>	<u>2,267,374</u>
Total liabilities	2,522,840	2,328,881
Deferred inflows of resources	113,650	18,877
Net position:		
Net investment in capital assets	1,948,193	1,822,910
Restricted	99,069	66,307
Unrestricted	<u>(922,640)</u>	<u>(547,184)</u>
Total net position	<u>1,124,622</u>	<u>1,342,033</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,761,112</u>	<u>\$ 3,689,791</u>

Included in the governmental activities current assets are \$942,000 of cash and cash equivalents, and \$307,000 of accounts receivable. Capital assets of approximately 2.2 million are reported net of accumulated depreciation of \$1.8 million. Deferred outflows of resources in the aggregate of \$265,000 are associated with the District's net pension liability and net OPEB liability and are to be amortized over future periods.

Current liabilities for governmental activities consist of \$44,000 of salaries payable, withholdings and other current liabilities, \$3,500 of accrued interest and \$300,000 of notes payable.

Governmental activities non-current liabilities include approximately \$34,000 of compensated absences, \$714,000 in net other postemployment benefit (OPEB) liability, and \$ 1.4 million in net pension liabilities. Deferred inflows of resources in the aggregate amount of \$114,000 are associated with the District's net pension liability and are to be amortized over future periods.

The largest portion of the District's governmental net position of approximately \$1.9 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the District's net position represents restricted net position of approximately \$99,000 represents resources that are subject to restricts placed on how they may be used. The remaining balances of unrestricted net position which may be used to meet the District's ongoing obligation to citizens and creditors reported a deficit balances of approximately \$923,000, due to a requirement to report other postemployment (OPEB) benefits and the pension liabilities.

Governmental activities decreased the District's net position by \$330,000 during fiscal year 2018. A summary of revenues and major functional expenditures is presented below (it should be noted that prior year balances have not been restated to conform to the implementation of GASB Statement No. 75):

WEST BARNSTABLE FIRE DISTRICT
Management's Discussion and Analysis
June 30, 2018

	2018 Governmental Activities	2017 Governmental Activities
Revenues:		
Program revenues:		
Charges for services	\$ 286,757	\$ 178,095
Operating grants and contributions	12,320	98,302
Total program revenues	299,077	276,397
General revenues and transfers:		
Property taxes	1,597,331	1,522,248
Penalties and interest	13,453	22,851
Investment income	8,330	5,519
Miscellaneous	17,087	2,415
Total general revenues and transfers	1,636,201	1,553,033
Total revenues and transfers	1,935,278	1,829,430
Expenses:		
Prudential operations	643,826	701,276
Fire operations	1,487,601	1,501,098
Total expenses	2,131,427	2,202,374
Special item:		
Loss on disposal of capital assets	(134,135)	
Change in net position	\$ (330,284)	\$ (372,944)

Key elements of governmental activities are as follows:

Revenues:

- Property taxes of \$1.6 million represent 82.5% of the District's total revenue.
- Charges for services represent charges for ambulance services. The increase from the prior year is primarily due to an increase in commitments in the current year.
- Operating grants and contributions decrease from the prior year is primarily due to completion of the grant for Staffing for Adequate Fire & Emergency Response (SAFER) grant in the prior year.
- The increase in miscellaneous income is primarily due to insurance proceeds received during the current year.

Expenses and special item:

- The decrease in prudential operations expenses is primarily due to a decrease in pension expense year over year.
- The District recognized a loss of \$134,000 due to the loss on sale of capital assets.

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Management's Discussion and Analysis
June 30, 2018

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. Fund balance for governmental funds is reported in a classification hierarchy which is based upon the extent to which the government is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

In particular, *unassigned fund balance* represents the residual fund balance which has not been restricted, committed, or assigned to a purpose within that fund. The General Fund is the only fund which should report a positive unassigned fund balance amount. Any negative unassigned fund balance represents expenditures incurred for specific purposes which exceeded the amounts restricted, committed, or assigned for that purpose.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$624,000, a decrease of approximately \$655,000 from the prior year. The decrease is primarily related to the purchase of capital assets in the current year, which were funded using available fund balance and debt.

The governmental funds' combined ending fund balances were reported in the following classifications: restricted fund balance of \$99,000, committed fund balance of \$214,000, assigned fund balance of \$41,000 and unassigned fund balance of approximately \$270,000.

The General Fund is the chief operating fund. At the end of the current fiscal year, the General Fund reported aggregate fund balance of \$825,000, a decrease of \$388,000 from the previous year. Of this amount \$214,000 or 25.9% represents committed fund balance. Assigned fund balance of \$41,000 represents 5.0% of total General Fund balance. Unassigned fund balance of \$570,000 represents 69.1% total General Fund balance. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures and revenues. Total unassigned fund balance represents approximately 27.1% of total General Fund expenditures and 30.0% of General Fund revenues, while total General Fund balance represents 39.3% and 43.4%, respectively, of the same amounts.

General Fund Budgetary Highlights

The District adopts an annual expenditure budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The original expenditure budget of \$2.3 million is reduced by encumbrances and continuing appropriations of \$151,000 to calculate the final amended budget of \$2.1 million.

Capital Asset and Debt Administration

Capital assets: The District's investment in capital assets for governmental activities as of June 30, 2018 amounts to \$2.2 million which is net of accumulated depreciation of \$1.8 million. The investment in capital assets includes land; buildings; improvements; machinery and equipment.

WEST BARNSTABLE FIRE DISTRICT
 Management's Discussion and Analysis
 June 30, 2018

The table below represents a summary of the District's capital assets, net of accumulated depreciation by category (in thousands):

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 350	\$ 350
Buildings and related improvements	907	986
Equipment, machinery, vehicles	991	487
	<u>\$ 2,248</u>	<u>\$ 1,823</u>

Long-term debt: At the end of the current and prior fiscal years, the District had no bonded debt outstanding.

Economic Factors and Next Year's Budgets and Rates

- ◆ The District's operating budgets for fiscal year 2019 increased by approximately \$122,000, or 7% over the fiscal year 2018 budget.
- ◆ The District's tax levy increased for fiscal year 2019 increased by approximately \$93,000, or 6% over the fiscal year 2018 tax levy.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the West Barnstable Fire District, Attn: District Treasurer, 2160 Meetinghouse Way, West Barnstable, MA 02668.

BASIC FINANCIAL STATEMENTS

WEST BARNSTABLE FIRE DISTRICT

Statement of Net Position

June 30, 2018

	Primary Government Governmental Activities
<u>ASSETS</u>	
Cash and cash equivalents	\$ 941,571
Receivables, net of allowance for uncollectibles	306,626
Capital assets, net of accumulated depreciation	2,248,193
Total assets	<u>3,496,390</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Associated with OPEB plan	3,230
Associated with pension plan	261,492
Total deferred outflows of resources	<u>264,722</u>
Total assets and deferred outflows of resources	<u>\$ 3,761,112</u>
<u>LIABILITIES</u>	
Salaries payable, withholdings and other current liabilities	\$ 43,588
Accrued interest	3,500
Notes payable	300,000
Noncurrent liabilities:	
Due in more than one year	2,175,752
Total liabilities	<u>2,522,840</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Associated with pension plan	113,650
Total deferred inflows of resources	<u>113,650</u>
<u>NET POSITION</u>	
Net investment in capital assets	1,948,193
Restricted	99,069
Unrestricted	(922,640)
Total net position	<u>1,124,622</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,761,112</u>

The accompanying notes are an integral part of these financial statements.

WEST BARNSTABLE FIRE DISTRICT
Statement of Activities
For the Year Ended June 30, 2018

<u>Functions/Programs</u> Primary government	Program Revenues		Net (Expense) Revenue and Changes in Net Position
Governmental activities:	Charges for Services	Operating Grants and Contributions	Primary Government Total Governmental Activities
Prudential operations	\$ 643,826	\$	\$ (643,826)
Fire operations	1,487,601	286,757	(1,188,524)
Total governmental activities	\$ 2,131,427	\$ 12,320	(1,832,350)
General revenues:			
Property taxes, net of allowance for uncollectibles			1,597,331
Penalties and interest			13,453
Investment income			8,330
Miscellaneous			17,087
Total general revenues			1,636,201
Special item:			
Loss on disposal of capital assets			(134,135)
Change in net position			(330,284)
Net position - beginning of year, restated			1,454,906
Net position - end of year			\$ 1,124,622

The accompanying notes are an integral part of these financial statements.
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WEST BARNSTABLE FIRE DISTRICT

Balance Sheet - Governmental Funds

June 30, 2018

	<u>General Fund</u>	<u>Fire Engine Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 842,097	\$ 405	\$ 99,069	\$ 941,571
Receivables	539,067			539,067
Total assets	<u>\$ 1,381,164</u>	<u>\$ 405</u>	<u>\$ 99,069</u>	<u>\$ 1,480,638</u>
<u>LIABILITIES</u>				
Salaries payable, withholdings and other current liabilities	\$ 43,588	\$	\$	\$ 43,588
Notes payable		300,000		300,000
Total liabilities	43,588	300,000		343,588
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred revenue	512,554			512,554
Total deferred inflows of resources	512,554			512,554
<u>FUND BALANCES</u>				
Restricted			99,069	99,069
Committed	213,576			213,576
Assigned	41,491			41,491
Unassigned	569,955	(299,595)		270,360
Total fund balances	825,022	(299,595)	99,069	624,496
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,381,164</u>	<u>\$ 405</u>	<u>\$ 99,069</u>	<u>\$ 1,480,638</u>

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

Total fund balances of governmental funds	\$ 624,496
Capital assets used in governmental activities are not financial resources and not reported in funds.	2,248,193
Certain receivables are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	512,554
Reporting of assets on a full accrual basis requires an estimate for uncollectible accounts.	(232,441)
Amounts recorded as deferred outflows of resources associated with net OPEB liability are not recognized on the modified accrual basis.	3,230
Amounts recorded as deferred outflows and deferred inflows of resources associated with net pension liability are not recognized on the modified accrual basis.	147,842
Reporting on a full accrual basis requires the accrual of associated interest	(3,500)
Long-term liabilities are not due and payable in the current period and are not included in funds.	<u>(2,175,752)</u>
Net position of governmental activities	<u>\$ 1,124,622</u>

The accompanying notes are an integral part of these financial statements.

WEST BARNSTABLE FIRE DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Fire Engine Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 1,604,625	\$	\$	\$ 1,604,625
Licenses, permits and fees	2,105			2,105
Penalties and interest on taxes	13,453			13,453
Investment income	7,494	405	431	8,330
Ambulance fees	242,832			242,832
Departmental and other	17,156		9,331	26,487
Intergovernmental	12,320			12,320
Total revenues	<u>1,899,985</u>	<u>405</u>	<u>9,762</u>	<u>1,910,152</u>
Expenditures				
Prudential operations	503,144			503,144
Fire operations	1,596,919	465,000		2,061,919
Total expenditures	<u>2,100,063</u>	<u>465,000</u>		<u>2,565,063</u>
Revenues over/(under) expenditures	(200,078)	(464,595)	9,762	(654,911)
Other financing sources (uses)				
Transfers in from other funds		165,000	23,000	188,000
Transfers out to other funds	(188,000)			(188,000)
Total other financing (uses)	<u>(188,000)</u>	<u>165,000</u>	<u>23,000</u>	
Revenues and other financing sources over expenditures and other financing (uses)	(388,078)	(299,595)	32,762	(654,911)
Fund balance, beginning of year	1,213,100		66,307	1,279,407
Fund balance, end of year	<u>\$ 825,022</u>	<u>\$ (299,595)</u>	<u>\$ 99,069</u>	<u>\$ 624,496</u>

The accompanying notes are an integral part of these financial statements.

WEST BARNSTABLE FIRE DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Revenues and other financing sources over expenditures and other financing uses \$ (654,911)

Governmental funds report capital outlays as expenditures, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.

Capital outlays during the fiscal year	765,000
Capital asset disposals for the fiscal year, net	(143,535)
Depreciation recorded for the fiscal year	(196,182)

Revenues are recognized on the modified accrual basis of accounting in the fund financial statements, but are recognized on the accrual basis of accounting in the government-wide financial statements.

Net change in deferred revenue	90,089
Net change in allowance for uncollectible accounts	(55,563)

Certain deferred outflows of resources and deferred inflows of resources are recognized on the government-wide basis to be amortized over future periods.

Change in aggregate deferred outflows of resources associated with OPEB	3,230
Net change in aggregate deferred outflows and inflows of resources associated with pensions	(113,661)

The fund financial statements record interest on debt when due. The government-wide financial statements report interest on debt when susceptible to accrual.

Net change in accrued interest	(3,500)
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Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements, however, these liabilities are reported in the government-wide financial statements. The net change in these liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:

Compensated absences	5,500
Other postemployment benefits	(72,060)
Net pension liability	45,309

Change in net position of governmental activities	\$ (330,284)
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The accompanying notes are an integral part of these financial statements.

WEST BARNSTABLE FIRE DISTRICT
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2018

	Other Postemployment Benefits Trust Fund
<u>ASSETS</u>	
Investments	\$ 116,416
Total assets	<u>\$ 116,416</u>
<u>NET POSITION</u>	
Restricted for other postemployment benefits	\$ 116,416
Total net position	<u>\$ 116,416</u>

The accompanying notes are an integral part of these financial statements.

WEST BARNSTABLE FIRE DISTRICT
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2018

	Other Postemployment Benefits Trust Fund
Additions	
Employer contributions	\$ 43,351
Earnings on investments, net of costs	11,900
Total additions	55,251
Deductions	
Benefit payments	16,780
Total deductions	16,780
Change in net position	38,471
Net position at beginning of year	77,945
Net position at end of year	\$ 116,416

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

WEST BARNSTABLE FIRE DISTRICT
Notes to Financial Statements
June 30, 2018

Note 1. District History and Reporting Entity

A. Organization

The West Barnstable Fire District (the District), West Barnstable, Massachusetts was organized by special acts of the Massachusetts General Court to provide fire-prevention services, extinguishment of fires, and emergency medical care, rescue, ambulance services, and street lighting to the residents of the Village of West Barnstable, Massachusetts. The District is governed by an elected three-member Prudential Committee and a Board of Water Commissioners.

B. Reporting Entity

Primary Government

The accompanying financial statements present the District and its component units.

Component Units

Component units are included in the District's reporting entity if their operational and financial relationships with the District are significant. Pursuant to these criteria no component units are identified for inclusion in the accompanying financial statements.

Joint Venture

The District has entered into a joint venture with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is the District's joint venture, its purpose, and the annual assessment paid by the District. The District also participates in a cost sharing group for pension benefits. See the accompanying notes for additional information. Financial statements may be obtained from the joint venture by contacting them directly. The District does not have an equity interest in the joint venture.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY 2018 Payments</u>
Cape Cod Municipal Health Group c/o Group Benefit Strategies 15 Midstate Drive, Suite 110 Auburn, MA 01501	To provide employee health benefits	\$ 151,342

The payments consist of the total amounts paid by the District for all plans and is paid 80% and 20% by the District and employees, respectively.

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The *Governmental Accounting Standards Board (GASB)* is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District is discussed below.

WEST BARNSTABLE FIRE DISTRICT

Notes to Financial Statements

June 30, 2018

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's fire protection and general administrative services are classified as governmental activities. The District does not have any activities classified as business-type activities.

Government-wide Statements

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, deferred outflows of resources as well as deferred inflows of resources and other long-term obligations on a full accrual basis. The District's net position is reported in three components—net investment in capital assets, restricted net position, and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs by function are normally covered by general revenue.

Certain costs, such as pension benefits, property, liability and health insurance, among others are not allocated among the District's governmental functions and are included in prudential operations in the Statement of Activities.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows of resources, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major fund in the governmental functional categories. GASB pronouncements sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues of expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The District may electively add funds, as major funds, which have specific community focus. The non-major funds are combined in a column in the fund financial statements titled Other Governmental Funds.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

WEST BARNSTABLE FIRE DISTRICT
Notes to Financial Statements
June 30, 2018

The following governmental fund types may be used by the District:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds available to the District:

Major Funds:

- General Fund is the primary operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.
- Fire Engine Fund is a capital project fund used to account for and report the resources for the acquisition of a fire engine truck.

Other governmental funds consist of other special revenue, capital projects and other funds that are aggregated and presented in the other governmental funds column on the governmental funds financial statements. The following describes the general use of these funds:

- Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Currently, the District does not utilize a debt service fund.
- Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets. The District has one capital project fund, as described above, which is considered a major fund in fiscal year 2018.
- Permanent funds are used to account for resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs. Currently, the District does not utilize a permanent fund.

Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and is reported using accounting principles applicable to businesses in the private sector. The following is a description of the fiduciary funds available to the District:

- Other Postemployment Benefit Trust Fund accounts for resources legally held in trust for providing health insurance benefits to retired employees of the District. Since these funds cannot be used for providing District services, they are excluded from the District's government-wide financial statements. This fund was established pursuant to District Meeting vote in accordance with provisions of MGL Chapter 32B, section 20 which allows for establishment of a trust fund for other postemployment benefits.

WEST BARNSTABLE FIRE DISTRICT

Notes to Financial Statements

June 30, 2018

- Agency funds are used to hold funds on behalf of parties other than the District. Agency funds are custodial in nature and do not involve measurement of results of operations. The District currently does not maintain any agency funds.

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and property tax revenues are considered available if they are collected within 60 days after fiscal year end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred, and all other grant requirements are met.

C. Fair Value Measurement

The District measures assets and liabilities at fair value according to the hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk. The following are levels considered.

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.
- Level 3 inputs are unobservable for the asset or liability.

D. Cash, Cash Equivalents, and Investments

For the purpose of the financial statements, "cash and cash equivalents" include all demand, savings accounts and certificates of deposits of the District. Massachusetts General Laws and local provisions place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution.

WEST BARNSTABLE FIRE DISTRICT
Notes to Financial Statements
June 30, 2018

The District maintains investments according to Massachusetts General Laws. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. Generally, investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional cash, cash equivalents and investment disclosures are presented in these Notes.

E. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. The District reported no interfund receivables or payables at June 30, 2018.

F. Receivables

Receivables consist of all revenues billed/committed at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable, and only applies to the government-wide financial statements. The District classifies outstanding personal property taxes three or more years old as uncollectible for financial reporting purposes. The District estimates outstanding ambulance billings over 120 days old to be uncollectible. Outstanding real estate taxes are secured by tax liens, and therefore considered to be fully collectable.

G. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their acquisition value (entry price) at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002. The District generally defines capital assets, which includes land, building and related improvements, equipment, machinery, vehicles and infrastructure, as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Prior to July 1, 2002, governmental funds' capital assets were not capitalized. These assets have been valued at estimated historical cost.

WEST BARNSTABLE FIRE DISTRICT

Notes to Financial Statements

June 30, 2018

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

➤	Buildings and related improvements	20 - 40 years
➤	Equipment, machinery and vehicles	5 - 10 years
➤	Infrastructure	15 - 50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as either prudential or fire operation expenditures upon acquisition.

H. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources, as applicable, represent a consumption of assets by the government that is applicable to a future reporting period. These *deferred outflows of resources* have a positive effect on net position and are reported after assets, when applicable. Deferred inflows of resources, as applicable, represent the acquisition of assets by the government that is applicable to a future reporting period. These *deferred inflows of resources* have a negative effect on net position and are reported after liabilities, when applicable. These amounts are reported in government-wide and fund financial statements based upon the nature of the items.

I. Liabilities

Liabilities represent present obligations to sacrifice resources for which the government has little or no discretion to avoid. The primary focus is on the obligation for the government to perform. The accounting treatment for these obligations depends on whether they are reported in the government-wide or fund financial statements.

Current liabilities are reported in both the fund and government-wide financial statements. Current liabilities represent obligations incurred in the operating cycle for acquisition goods, services, accruals for salaries/wages, vacation accruals, and other obligations due or generally expected to be liquidated within one year from the balance sheet date. Government-wide financial statements also report other current liabilities such as accrued interest, which is reported on a full accrual basis.

Generally, all noncurrent (long-term) liabilities are not reported as liabilities in the fund financial statements but are reported in the government-wide statements. Such obligations consist primarily of compensated absences, other postemployment liability and net pension liability.

J. Compensated Absences

The District's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

WEST BARNSTABLE FIRE DISTRICT

Notes to Financial Statements

June 30, 2018

K. Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position, have been recognized on the same basis as they are reported by the Plan. For this purpose, the Plan recognized benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value, other than money market accounts, which are reported at cost.

L. Pensions

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

M. Equity Classifications

Government-wide Statements

Equity is classified as net position in the government-wide financial statements. The District utilizes resources which have been restricted prior to unrestricted resources. Net position is displayed in the following three components:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The District's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds were designated for one purpose at the time of their creation. Therefore, any expenditure made from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The General Fund and certain other funds may have more than one purpose.

WEST BARNSTABLE FIRE DISTRICT
Notes to Financial Statements
June 30, 2018

Fund balance can be classified in the following components:

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by the District’s highest level of decision making, the formal action of District Meeting. Any modification or rescission must also be approved by District meeting authorization.
- Assigned fund balance – consist of amounts that are constrained by the District’s intent to be used for a specific purpose. Intent is expressed by (a) the governing body itself, or (b) the officials directly responsible for departmental appropriations.
- Unassigned fund balance – represents the residual classification for the remaining fund balance. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

O. Total Columns

The total column presented on the government-wide financial statements represents consolidated financial information.

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

Note 3. Stewardship, Compliance and Accountability

A. Property Tax Calendar and Limitations

Real and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent August 1, November 1, February 1 and May 1. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to lien, interest and penalties. The District has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy.

WEST BARNSTABLE FIRE DISTRICT
Notes to Financial Statements
June 30, 2018

B. Budgetary Basis of Accounting

The District must establish its property tax rate each year so that the resulting property tax levy will comply with the provisions Massachusetts General Laws and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the District, including available surplus funds.

The budgets for all departments and operations of the District are prepared under the direction of the Prudential Committee. Original and supplemental appropriations are acted upon by vote of District Meeting. All General Fund functions are budgeted. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). A comparison of the budget to actual amounts on a "budgetary basis" is provided as required supplementary information to provide a meaningful comparison with the budget.

C. Fund Equities

Operations of the various District funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. As of June 30, 2018, the classification of the District's fund balances can be detailed as follows:

	<u>General Fund</u>	<u>Fire Engine Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted:				
Fire operations	\$	\$	\$ 99,069	\$ 99,069
subtotal			99,069	99,069
Committed:				
Prudential operations	19,230			19,230
Fire operations	194,346			194,346
subtotal	213,576			213,576
Assigned:				
Prudential operations	88			88
Fire operations	41,403			41,403
subtotal	41,491			41,491
Unassigned	569,955	(299,595)		270,360
Total	<u>\$ 825,022</u>	<u>\$ (299,595)</u>	<u>\$ 99,069</u>	<u>\$ 624,496</u>

Pursuant to MGL, the District maintains stabilization funds, which maintains funds set aside by District Meeting vote for further appropriation, or in accordance with MGL for the Prudential Committee to perform interfund borrowings during the year. Since these funds are not supported by specific revenue sources, they are included with the General Fund's fund balance. As of June 30, 2018, the District maintained a balance of \$318,480 in its General Stabilization Fund, which is included in the unassigned fund balance and a balance of \$962 in its Ambulance Stabilization Fund which is included with the assigned fund balance – fire operations. The District authorized a \$30,000 transfer from the General Fund to the Ambulance Stabilization Fund during the fiscal year 2019 Annual District Meeting, which occurred in May of 2018. This amount has been included in assigned fund balance above.

WEST BARNSTABLE FIRE DISTRICT
Notes to Financial Statements
June 30, 2018

The Fire Engine Fund reported a deficit of \$299,595 at June 30, 2018. The District expects to fund this deficit through the future issuance of long term debt.

D. Restricted Net Position

The following table illustrates the District's restricted net position as reported on the government-wide financial statements as of June 30, 2018:

<u>Restricted net position</u>	<u>Amount</u>
Bailey gift fund	\$ 77,101
Insurance recovery fund	9,370
District gift fund	<u>12,598</u>
Total	<u>\$ 99,069</u>

Note 4. Cash and Cash Equivalents

Massachusetts General Laws (MGL), Chapter 44, Sections 54 and 55, place certain limitations on cash deposits and investments available to the District. OPEB Funds may be invested in accordance with MGL Chapter 203C. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The District may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof and having a maturity from date of purchase of one year or less. The District may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The District may also invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The District maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a formal deposit policy for custodial risk. At June 30, 2018, deposits totaled \$978,161 and had a carrying amount of \$941,571. The total deposit amount was covered by depository insurance. The difference between bank deposits and carrying amount consists primarily of outstanding checks and deposits in transit.

The District invests in the Plymouth County OPEB Trust (PCOT), which is considered an irrevocable trust. At June 30, 2018, investments held with PCOT were \$119,806 and the carrying value of totaled \$116,416 inclusive of \$39 held in a checking account for purposes of OPEB, by the District. The difference between the investment balance at June 30, 2018 and the carrying value represents a disbursement to the General Fund which cleared in fiscal year 2019. The District has its own separate trust account and assets are pooled for investment purposes only. The PCOT investment committee works with U.S. Bank and manages the investment pool, which is comprised of fixed income and equity mutual funds. All underlying investments are considered level 1 investments. Disbursements are allowable only for retiree healthcare expenditures or actuarial valuations for OPEB purposes.

WEST BARNSTABLE FIRE DISTRICT

Notes to Financial Statements

June 30, 2018

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair market value to changes in market interest rates. The District does not have an investment policy which covers interest rate risk.

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District does not have an investment policy which covers custodial credit risk.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk. The District does not have an investment policy which covers credit risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have an investment policy which covers concentration of credit risk.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The District does not have an investment policy which covers foreign currency risk.

Note 5. Receivables

The District reports the net amount of receivables in the accompanying Statement of Net Position and the gross amount on the Balance Sheet. In addition, governmental funds report, on the Balance Sheet, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenues may also be reported on the Statement of Net Position. The District reported no unearned revenues in the Statement of Net Position at June 30, 2018.

The District includes the following receivables for individual major and other governmental funds in the aggregate, including applicable allowances for uncollectible amounts:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Real estate and personal property taxes	\$ 159,115	\$ (30)	\$ 159,085
Tax liens and deferrals	61,215		61,215
Ambulance billing and other	318,737	(232,411)	86,326
Totals	<u>\$ 539,067</u>	<u>\$ (232,441)</u>	<u>\$ 306,626</u>

WEST BARNSTABLE FIRE DISTRICT
Notes to Financial Statements
June 30, 2018

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 350,202	\$	\$	\$ 350,202
Subtotal	350,202			350,202
Capital assets being depreciated:				
Buildings and related improvements	1,889,620			1,889,620
Equipment, machinery & vehicles	1,793,502	765,000	(716,002)	1,842,500
Subtotal	3,683,122	765,000	(716,002)	3,732,120
Less: accumulated depreciation:				
Buildings and related improvements	903,793	78,907		982,700
Equipment, machinery & vehicles	1,306,621	117,275	(572,467)	851,429
Subtotal	2,210,414	196,182	(572,467)	1,834,129
Governmental activities capital assets, net	<u>\$ 1,822,910</u>	<u>\$ 568,818</u>	<u>\$ (143,535)</u>	<u>\$ 2,248,193</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Fire operations	<u>\$ 196,182</u>
Total depreciation expense – governmental activities	<u>\$ 196,182</u>

Note 7. Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the District reported the following deferred outflows and deferred inflows of resources:

Governmental Activities:

The following are associated with the District's proportionate share of the Barnstable County Retirement Association and the District's Other Postemployment Benefit (OPEB) Plan:

<u>Deferred outflows of resources</u>	<u>Amount</u>
<u>Associated with OPEB plan:</u>	
Net difference between projected and actual investment earnings on pension plan investments	\$ 3,230
<u>Associated with pension plan:</u>	
Changes of Assumptions	177,947
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>83,545</u>
Subtotal	<u>261,492</u>
Total deferred outflows of resources	<u>\$ 264,722</u>

WEST BARNSTABLE FIRE DISTRICT
Notes to Financial Statements
June 30, 2018

<u>Deferred inflows of resources</u>	<u>Amount</u>
<u>Associated with pension plan:</u>	
Net difference between projected and actual investment earnings on pension plan investments	\$ 93,193
Difference between expected and actual experience	20,457
Total deferred inflows of resources	<u>\$ 113,650</u>

Governmental Funds:

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The District reported the deferred (unearned) revenues in the governmental funds at year end as follows:

<u>Type</u>	<u>General Fund</u>
Property taxes	\$ 132,602
Tax liens and deferrals	61,215
Ambulance fees	318,737
Total deferred revenue	<u>\$ 512,554</u>

Note 8. Interfund Balances and Activity

Interfund transfers for the fiscal year June 30, 2018, consisted of the following:

<u>Purpose</u>	<u>General Fund</u>	<u>Fire Engine Fund</u>	<u>Other Governmental Funds</u>
Transfer appropriated amount for fire engine purchase	\$ (165,000)	\$ 165,000	\$
Transfer authorized to Bailey Fund	(23,000)	_____	23,000
	<u>\$ (188,000)</u>	<u>\$ 165,000</u>	<u>\$ 23,000</u>

Note 9. Long-term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2018:

<u>Description</u>	<u>(restated) Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance June 30, 2018</u>	<u>Current Portion</u>
<u>Governmental activities:</u>					
Net OPEB liability	\$ 642,250	\$ 72,060	\$	\$ 714,310	\$
Net pension liability	1,473,251	_____	(45,309)	1,427,942	_____
Compensated absences	39,000	_____	(5,500)	33,500	_____
Total governmental noncurrent liabilities	<u>\$ 2,154,501</u>	<u>\$ 72,060</u>	<u>\$ (50,809)</u>	<u>\$ 2,175,752</u>	<u>\$</u>

WEST BARNSTABLE FIRE DISTRICT

Notes to Financial Statements

June 30, 2018

The District is subject to a dual level general debt limit—the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively of the valuation of taxable property in the District as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth. Additionally, there are many categories of general obligation debt that are exempt from the debt limit but are subject to other limitations. The District considers the issuance of bond anticipated notes to be a reduction of authorized and unissued debt. As of June 30, 2018, the District had no authorized and unissued debt. The District had no long term debt outstanding at the beginning and end of the fiscal year.

Lease obligations

A. Operating leases

The District has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payments for non-cancelable operating leases are immaterial as of June 30, 2018.

B. Capital leases

In accordance with Massachusetts General Laws, the District may enter into lease agreements for a period not to exceed five years and subject to annual appropriation. The District did not have any material lease obligations outstanding during the year.

Note 10. Temporary Borrowings

Under state law and by authorization of the Prudential Committee, the District is authorized to borrow on a temporary (short-term) basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of tax anticipation notes (TANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the District and carry maturity dates that are limited by statute. Interest expenditures for temporary borrowings are accounted for in the General Fund. Temporary borrowings are recorded as liabilities in the appropriate fund. The following represents the District's changes in short term debt for the year ended June 30, 2018:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Bond anticipation note, Fire Truck, 1.25%,				
dtd. 7/27/2017, due 7/27/2018	\$ _____	\$ 300,000	\$ _____	\$ 300,000
Total governmental activities	<u>\$ _____</u>	<u>\$ 300,000</u>	<u>\$ _____</u>	<u>\$ 300,000</u>

WEST BARNSTABLE FIRE DISTRICT

Notes to Financial Statements

June 30, 2018

Note 11. Employee Benefits

A. Retirement Benefits

Barnstable County Retirement Association

Plan Description

The Barnstable County Retirement Association (the "Plan") is a multiple-employer, cost sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Barnstable County Retirement Board (the "Board"). Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 25 hours per week. As of January 1, 2018, the Association had 50 participating employers.

The Association is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems. The Association is governed by a five-member Board who establish the policies under which the Association operates.

The Association issues an audited financial statement for the year ended December 31, 2017, which may be obtained by contacting the Association directly at: Barnstable County Retirement Association, 750 Attucks Lane, Hyannis, MA 02601.

Benefits Provided

The Association provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory public employee retirement systems (PERS). Those requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of credible service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Contributions

There are three classes of membership in the retirement system: Group 1, Group 2 and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have specified as hazardous. Lastly, Group 4 consists of police officers, firefighters and other hazardous positions.

Any individual in Group 1 or Group 2 whose membership began before January 1, 1978 and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years or creditable service. There is no minimum vesting requirements for individuals in Group 4.

Members in Group 1 and 2, hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon completion of 10 years of service and upon reaching age 55.

WEST BARNSTABLE FIRE DISTRICT
Notes to Financial Statements
June 30, 2018

Members in Group 1 and 2, hired on or after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching age 60 (Group 1) or age 55 (Group 2).

Governmental employers are required to pay an annual appropriation established by PERAC. The total appropriation includes the amount to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and an additional appropriation in accordance with adopted early retirement incentive programs. The total appropriations are payable July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discount rate of approximately 2%. The pension fund appropriations are allocated among employers based on covered payroll. The District's statutorily required contribution for the year ended June 30, 2018 was \$125,236, which was net of the discount of approximately \$2,322.

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

The collective net pension liability of the Association was determined by an actuarial valuation as of January 1, 2018.

At December 31, 2017 based upon valuation date of January 1, 2018:

	<u>2017</u>
Total pension liability	\$ 1,783,937,286
Less: plan fiduciary net position	<u>(1,103,493,815)</u>
Net pension liability	<u>\$ 680,443,471</u>
Plan's fiduciary net position as a percentage of total pension liability	61.86%
Total employer pension expense	\$ 78,392,869
The District's proportionate share of the collective net pension liability	\$ 1,427,942
The District's percentage share of the collective net pension liability	0.210%
District covered payroll	\$ 597,323
The District's proportionate share of pension expense recognized	\$ 193,588

The collective net deferred (inflows)/outflows of resources of the Plan was \$31,374,377 at December 31, 2017. The District's proportionate share of collective deferred (inflows)/outflows of resources was \$147,842, which was the result of the net difference between projected and actual investment earnings of the pension plan investments, difference between expected and actual experience, changes in actuarial assumptions and the change in proportion related to pension obligations. This is to be recognized in future pension expense in the amount of \$52,110 for the year ending June 30, 2019, \$51,602 for the year ending June 30, 2020, \$25,764 for the year ending June 30, 2021, (\$2,468) for the year ending June 30, 2022, and \$20,834 for the year ending June 30, 2023.

WEST BARNSTABLE FIRE DISTRICT
Notes to Financial Statements
June 30, 2018

Actuarial Assumptions

Valuation date	January 1, 2018
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Payments increase at 5.28% per year
Remaining amortization period	17 years from July 1, 2018 for 2002 and 2003 Early Retirement Incentives, retiree sheriff's liability and remaining unfunded liability, and 4 years from July 1, 2018 for 2010 Early Retirement Incentive
Asset valuation method	The net pension liability is calculated using the market value of assets. The Association also uses an actuarial value of assets that gradually reflects year-to-year change in the market value of assets in determining contribution requirements.
Inflation Rate	3.25%
Investment rate of return/discount rate	7.375%, net of pension plan investment expense, including inflation
Projected salary increases:	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4.
Cost of living adjustments	3.0% of first \$18,000 of retirement income
Rates of retirement	Varies based upon age for general employees, police and fire employees
Rates of disability	For general employees, it was assumed that 55% of all disabilities are accidental disability. For police and fire employees, 90% of all disabilities are assumed to be accidental disability.
Mortality rates:	
Pre-retirement:	The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017
Healthy retiree:	The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017
Disabled retiree:	The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established by the Pension Reserve Investment Trust (PRIT). Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption as of January 1, 2018 are summarized in the following table:

WEST BARNSTABLE FIRE DISTRICT

Notes to Financial Statements

June 30, 2018

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equity	17.50%	6.15%
International developed markets equity	15.50%	7.11%
International emerging markets equity	6.00%	9.41%
Core fixed income	12.00%	1.68%
High-yield fixed income	10.00%	4.13%
Real estate	10.00%	4.90%
Commodities	4.00%	4.71%
Hedge fund, GTAA, risk parity	13.00%	3.94%
Private equity	<u>12.00%</u>	10.28%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. 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 period of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following presents the net pension liability calculated using the discount rate of 7.375%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.375%) or 1-percentage point higher (8.375%):

	<u>1% Decrease to 6.375%</u>	<u>Current Rate 7.375%</u>	<u>1% Increase to 8.375%</u>
Barnstable County Retirement Association's net pension liability as of December 31, 2017	\$ 892,516,460	\$ 680,443,471	\$ 502,131,729
District's proportionate share of net pension liability as of December 31, 2017	\$ 1,872,990	\$ 1,427,942	\$ 1,053,749

B. Compensated Absences

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon employment contracts and their respective collective bargaining agreements. Accumulated unused sick leave is due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Position in the amount of \$33,500.

C. Other Postemployment Benefits

Plan Description

The District administers a single employer defined benefit plan which provides health, dental and life insurance benefits to substantially all retired employees and their spouses (plan members). Eligibility to retire under the District's plan is based upon meeting one of the following conditions:

WEST BARNSTABLE FIRE DISTRICT

Notes to Financial Statements

June 30, 2018

- (1) At least 10 years of credible service are eligible at age 55;
- (2) At least 20 years of credible service are eligible at any age.

The following disclosures relate to the District's Other Postemployment Benefits Plan (the Plan).

Benefits Provided and Employees Covered

Benefits were paid to retirees, beneficiaries and dependents during the fiscal year ended June 30, 2018 and are paid on a pay as you go basis. These benefits are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements and District ordinances.

At June 30, 2016, the date of the actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Active employees	<u>7</u>
Total	<u>9</u>

Contributions

The contribution rates of retirees are established by collective bargaining agreements, Massachusetts General Law, and District ordinances. The required contribution is based on pay as you go financing requirements. All benefits are provided through a third-party insurance carrier that administers, assumes, and pays all claims. The District contributes at 80% of the insurance premiums, with the remainder funded through pension benefit deductions.

The District currently pays other postemployment benefits on a pay-as-you-go basis. Contributions in excess of premium payments are determined on an annual basis during the budgetary process. For the year ended June 30, 2018, the District's contribution rate was 8.95% of covered-employee payroll. Active employees are not required to contribute to the plan.

GASB Statement No. 75

In accordance with GASB Statement No. 75, the District (the employer) recognizes a net OPEB liability measured as the portion of the actuarial present value of the projected benefit payments that is attributable to past periods of employee services, net of the OPEB plan's fiduciary net position. The net OPEB liability is recognized as of the measurement date, which was June 30, 2017. Additional information associated with the actuarial valuation report can be obtained by contracting the District directly. Significant actuarial amounts, and disclosures pursuant to the accounting statement are detailed as follows.

Actuarial Determined Contribution (ADC)

The District's actuarially determined contributions (ADC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 74/75 which represents a level of funding that, if paid on an ongoing basis, is projected to cover the service cost each year and amortize any unfunded actuarial liabilities (or funding excess). The following table shows the components of the District's annual ADC for the fiscal year 2018 and the amount actually contributed to the Plan. Contribution are actuarially determined inclusive of implicit subsidies.

WEST BARNSTABLE FIRE DISTRICT
Notes to Financial Statements
June 30, 2018

Service cost	\$ 65,884
30-year amortization of NOL at 7.0%	<u>42,080</u>
Actuarial determined contribution	107,964
Contributions in relation to actuarially determined contribution	<u>44,140</u>
Contribution deficiency / (excess)	<u>\$ 63,824</u>
Covered employee payroll	\$ 492,985
Contributions as a percentage of covered employee payroll	8.95%

Net OPEB Liability

In accordance with GASB Statement No. 75, the District recognizes a net OPEB liability measured as the portion of the actuarial present value of projected benefit payments that is attributable to past periods of employee services, net of the OPEB plan's fiduciary net position. The net OPEB liability is recognized as of the measurement date. The District's measurement date was June 30, 2017, with a reporting date of June 30, 2018

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise stated:

Inflation:	3.5 percent
Discount rate:	7.0% as of June 30, 2017
Investment rate of return:	7.0%
Healthcare cost trend rates:	CCMG:
	-Under 65: 10.5% for 1 year, then 7.0% decreasing by 0.5% to an ultimate level of 4.5% per year
	-Over 65: 1.9% for 1 year, then 7.0% decreasing by 0.5% each year to an ultimate level of 4.5% per year

Mortality rates were based on pre-retirement, post-retirement, and disabled mortality tables. Pre-retirement mortality is represented by the RP-2000 Employees Mortality Table projected generationally with scale BB2D and a base year 2009 for males and females. Post-retirement mortality is represented by the RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB2D and a base year 2009 for males and females. Disabled mortality is represented by the RP-2000 Healthy Annuitant Table projected generationally with scale BB2D and a base year 2015 for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the year ended June 30, 2016. Plan experience was in line with expectations – for the year ending on June 30, 2018, the Plan saw no experience gain or loss.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of the expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

WEST BARNSTABLE FIRE DISTRICT
Notes to Financial Statements
June 30, 2018

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	N/A	6.15%
International Equity – Developed Market	N/A	7.11%
International Equity – Emerging Market	N/A	9.41%
Core Fixed Income	N/A	1.68%
High Yield Fixed Income	N/A	4.13%
Real Estate	N/A	4.90%
Commodities	N/A	4.71%
Hedge fund, GTAA, Risk parity	N/A	3.94%
Private Equity	N/A	10.28%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Due to the implementation of GASB Statement No. 74/75, the discount rate increased to 7.0 percent from 3.8 percent, which was used to measure the net OPEB obligation under GASB Statement No. 45. Assumptions changed regarding District contributions and projected OPEB Plan's fiduciary net position availability to make all projected OPEB payments for current and inactive employees. Therefore, the long-term expected rate of return was used to derive the discount rate used for the June 30, 2016 actuarial valuation, under the parameters of GASB 74/75.

Changes in the Net OPEB Liability

The following tables illustrates the changes in the net OPEB liability through the actuarial valuation date of June 30, 2016 (measurement date June 30, 2017):

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2016	\$ 689,851	\$ 47,601	\$ 642,250
<i>Changes for the year:</i>			
Service cost	63,656		63,656
Interest	52,279		52,279
Contributions – employer		43,531	(43,531)
Net investment income		344	(344)
Benefit payments	(13,531)	(13,531)	
Net changes	102,404	30,344	72,060
Balances at June 30, 2017	\$ 792,255	\$ 77,945	\$ 714,310

WEST BARNSTABLE FIRE DISTRICT
Notes to Financial Statements
June 30, 2018

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current discount rate:

	<u>1% Decrease</u> <u>(6.0%)</u>	<u>Current Discount</u> <u>Rate (7.0%)</u>	<u>1% Increase</u> <u>(8.0%)</u>
Net OPEB Liability	\$ 811,589	\$ 714,310	\$ 633,140

Sensitivity of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

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

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 609,587	\$ 714,310	\$ 844,822

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

The total deferred outflows of resources related to net OPEB liability was \$3,230 at June 30, 2018, which was the result of the net difference between projected and actual investment earnings of the plan investments. This is to be recognized in future pension expense in the amount of \$808 for each of the years ending June 30, 2019 – 2021, and \$806 for the year ending 2022.

Note 12. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. The District carries commercial insurance for all risk except health insurance.

As discussed in Note 1, the District participates in the Cape Cod Municipal Health Group, a municipal joint-purchase group, formed pursuant to Massachusetts General Law Chapter 32B to provide employee insurance benefits. Employees and the District both contribute to the Group. The District budgets, annually, in the General Fund for its estimated share of contributions. The District paid approximately \$143,000 in fiscal year 2018 for its share of contributions. Additional information related to the Group may be obtained by contacting the Group directly.

Note 13. Commitments and Contingencies

The District is not involved in any pending litigation at June 30, 2018. Accordingly, no provision for any loss has been recorded in the accompanying financial statements.

WEST BARNSTABLE FIRE DISTRICT
Notes to Financial Statements
June 30, 2018

Note 14. Restatement of Certain Beginning Balances

The following table illustrates the restatement of beginning net position in the statement of activities for the change in accounting principle due to the implementation of GASB Statement No. 75:

		Primary Governmental Activities
Net position - June 30, 2017	\$	1,342,033
To reverse beginning net OPEB obligation pursuant to GASB 45		755,123
To record beginning net OPEB liability pursuant to GASB 75		<u>(642,250)</u>
Net position - June 30, 2017 - restated	\$	<u>1,454,906</u>

Note 15. Implementation of New GASB Pronouncements

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which the District believes are applicable to its financial statements:

Current pronouncements

The GASB issued Statement #75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions. This pronouncement replaces previously issued guidance and establishes new accounting and financial reporting requirements for governments whose employees are provided other postemployment benefits. The District implemented this pronouncement in fiscal year 2018, which had a material effect on the financial statements.

The GASB issued Statement #81, Irrevocable Split-Interest Agreements, which was required to be implemented in fiscal year 2018. The pronouncement issues guidance improving accounting and financial reporting for these agreements which are used by donors to provide resources to two or more beneficiaries, including governments. The District implemented this pronouncement in 2018 and it has no material effect on the financial statements.

The GASB issued Statement #82, Pension Issues – An Amendment of GASB Statement No. 67, No. 68 and No. 73. This pronouncement addresses certain classification, presentation and other issues raised with previous Statements addressing pension obligations. The District implemented this pronouncement in 2018, which had no material effect on the financial statements.

The GASB issued Statement #85, Omnibus 2017. This pronouncement addresses practice issues that have been identified during the implementation and application of certain GASB Statements. The District implemented this pronouncement in 2018, which had no material effect on the financial statements.

WEST BARNSTABLE FIRE DISTRICT

Notes to Financial Statements

June 30, 2018

The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, was required to be implemented in fiscal year 2018. The pronouncement addresses consistency in accounting and financial reporting for in-substance defeasance of debt with only existing resources. The District implemented this pronouncement in 2018, and it had no effect on the financial statements.

Future pronouncements

The GASB issued Statement #83, *Certain Asset Retirement Obligations* is generally required to be implemented in fiscal year 2019. The pronouncement addresses accounting and financial reporting for legally enforceable retirements of tangible capital assets. The District will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in fiscal year 2020. The pronouncement establishes criteria for identifying fiduciary activities and its objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The District expects to implement the pronouncement as applicable.

The GASB issued Statement #87, *Leases*, which is required to be implemented in fiscal year 2021. This pronouncement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The District expects to implement the pronouncement as applicable.

The GASB issued Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented in fiscal year 2021. This pronouncement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide additional essential information about debt. The District will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which is required to be implemented in fiscal year 2020. This Statement will improve financial reporting by providing users of the financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The District expects to implement the pronouncement as applicable.

The GASB issued Statement #90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, which is required to be implemented in fiscal year 2020. This pronouncement improves the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The District will evaluate the implementation of the pronouncement as applicable.

REQUIRED SUPPLEMENTARY INFORMATION

WEST BARNSTABLE FIRE DISTRICT
 Required Supplementary Information
 Schedule of Changes in District's Net OPEB Liability and Related Ratios -
 Other Postemployment Benefits
 Last 10 Fiscal Years*

Valuation date:	June 30, 2016	June 30, 2016
Measurement date	June, 30, 2018	June 30, 2017
For the Plan fiscal year ended:	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB liability		
Service cost	\$ 65,884	\$ 63,656
Interest	59,584	52,279
Benefits payments	<u>(14,140)</u>	<u>(13,531)</u>
Net change in total OPEB liability	111,328	102,404
Total OPEB liability - beginning	<u>792,255</u>	<u>689,851</u>
Total OPEB liability - ending (a)	<u><u>\$ 903,583</u></u>	<u><u>\$ 792,255</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 44,140	\$ 43,531
Net investment income	11,861	344
Benefit payments	<u>(14,140)</u>	<u>(13,531)</u>
Net change in fiduciary net position	41,861	30,344
Plan fiduciary net position - beginning	<u>77,945</u>	<u>47,601</u>
Plan fiduciary net position - ending (b)	<u><u>119,806</u></u>	<u><u>77,945</u></u>
District's net OPEB liability - ending (a-b)	<u><u>\$ 783,777</u></u>	<u><u>\$ 714,310</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	13.26%	9.84%
Covered - employee payroll	492,985	478,626
District's net OPEB liability as a percentage of covered-employee payroll	158.99%	149.24%

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Notes to Schedule:

The District's (employer) net OPEB liability for the year ended June 30, 2018, is reported for the Plan's year end reporting date of June 30, 2017.

The Plan fiduciary net position presented above for the Plan year ended June 30, 2018 does not reflect the distribution made to the General Fund in the amount of \$3,429, due to timing of the distribution. Additionally, the Plan fiduciary net position presented above does not reflect \$39 in a separate checking account restricted for OPEB, which is not included in the Plymouth County OPEB Trust.

Changes in Assumptions:

- Discount rate is 7.0%; previously 3.80% (under GASB Statement No. 45)
- Preretirement Mortality Rates:
 - RP-2000 Employee Mortality Table projected generationally with Scale BB2D from 2009 (previously, RP-2000 Employee Mortality Table projected generationally with Scale AA from 2010)
- Postretirement Mortality Rates:
 - RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2009 (previously, RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale AA from 2010)

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.

WEST BARNSTABLE FIRE DISTRICT
 Required Supplementary Information
 Schedule of Contributions - Other Postemployment Benefits and Related Notes
 Last 10 Fiscal Years*

Valuation date:	June 30, 2016	June 30, 2016
Measurement date	June, 30, 2018	June, 30, 2018
For the Plan fiscal year ended:	<u>June 30, 2018</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ 107,964	\$ 104,313
Contributions in relation to the actuarially determined contribution	<u>44,140</u>	<u>43,531</u>
Contribution deficiency (excess)	<u>\$ 63,824</u>	<u>\$ 60,782</u>
Covered-employee payroll	\$ 492,985	\$ 478,626
Contributions as a percentage of covered-employee payroll	8.95%	9.09%

Notes to Schedule

Valuation date: Actuarial determined contributions for fiscal years ending June 30, 2017 and June 30, 2018 were determined with the June 30, 2016 actuarial valuation

Methods and assumptions used to determine the contribution rates:

Actuarial cost method: Individual Entry Age Normal
 Amortization period: 30 years from July 1, 2016
 Discount rate: 7.00% for each year presented
 Inflation: 3.50%
 Asset valuation method: Market value
 Healthcare cost trend rates: -Under 65: 10.5% for 1 year, then 7.0% decreasing by 0.5% each year to an ultimate level of 4.5% per year
 -Over 65: 1.9% for 1 year, then 7.0% decreasing by 0.5% each year to an ultimate level of 4.5% per year
 Investment rate of return: 7.00%, net of inflation and investment expense
 Retirement age: Varies based on eligibility
 Mortality: -Preretirement - RP-2000 Employee Mortality Table projected with Scale BB2D from 2009
 -Postretirement - RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2009
 -Disabled - RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years which information is available.

WEST BARNSTABLE FIRE DISTRICT
Required Supplementary Information
Schedule of Investment Returns - Other Postemployment Benefits
Last 10 Fiscal Years*

For the Plan fiscal year ended June 30:	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	14.44%	0.46%

*This Schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the District will present for those years which information is available.

See Independent Auditor's Report.

WEST BARNSTABLE FIRE DISTRICT
 Required Supplementary Information
 Schedule of Pension Plan Contributions
 Last 10 Fiscal Years*

Schedule of pension plan contributions

The Barnstable County Retirement Association (the Plan) is a multiple-employer, cost-sharing contributory defined benefit pension plan covering eligible employees. The Plan's year end date is December 31. Based on the actuarial valuation, the following is presented:

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportionate/allocated share of collective net pension liability	\$ 1,427,942	\$ 1,473,251	\$ 1,319,153	\$ 1,021,869
District's proportionate share of pension expense	\$ 193,588	\$ 250,671	\$ 146,053	\$ 100,153
District's share of collective net pension liability as a percentage of the total	0.210%	0.210%	0.210%	0.181%
Actuarially determined contribution	\$ 125,236	\$ 118,859	\$ 113,140	\$ 94,267
Contributions in relation to actuarial determined contribution	\$ (125,236)	\$ (118,859)	\$ (113,140)	\$ (94,267)
Contribution deficiency(excess)	\$	\$	\$	\$
Districts covered payroll	\$ 597,323	\$ 593,280	\$ 580,969	\$ 474,762
District's contributions as a percentage of covered payroll	20.97%	20.03%	19.47%	19.86%
District's proportionate share of the collective net pension liability as a percentage of covered payroll	239.06%	248.32%	227.06%	215.24%

*This Schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for these years which information is available.

WEST BARNSTABLE FIRE DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 1,589,064	\$ 1,589,064	\$ 1,596,587	\$ 7,523
Licenses, permits and fees	1,700	1,700	2,105	405
Penalties and interest	11,000	11,000	13,453	2,453
Investment interest	800	800	2,682	1,882
Ambulance fees	211,500	211,500	242,832	31,332
Departmental and other			13,727	13,727
Intergovernmental			12,320	12,320
Total revenues	<u>1,814,064</u>	<u>1,814,064</u>	<u>1,883,706</u>	<u>69,642</u>
Expenditures				
Prudential operations	490,415	486,096	473,144	12,952
Fire operations	1,763,656	1,617,070	1,596,919	20,151
Debt service	1,000	1,000	1,000	1,000
Total expenditures	<u>2,255,071</u>	<u>2,104,166</u>	<u>2,070,063</u>	<u>34,103</u>
Revenues over (under) expenditures	(441,007)	(290,102)	(186,357)	103,745
Other financing sources (uses)				
Transfers in from other funds	213,429	213,429	213,429	
Transfers out to other funds	(108,000)	(108,000)	(108,000)	
Total other financing (uses)	<u>105,429</u>	<u>105,429</u>	<u>105,429</u>	
Revenues and other financing sources over (under) expenditures and other financing uses	(335,578)	(184,673)	<u>\$ (80,928)</u>	<u>\$ 103,745</u>
Other budget items				
Carryover articles and encumbrances	154,778	3,873		
Available Fund Balance	180,800	180,800		
Total other budget items	<u>335,578</u>	<u>184,673</u>		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditor's Report.

WEST BARNSTABLE FIRE DISTRICT
 Required Supplementary Information
 Notes to Budgetary Comparison Schedule
 For the Year Ended June 30, 2018

Budgetary Basis of Accounting

The District must establish its property tax rate each year so that the resulting property tax levy will constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the District, including available surplus funds.

The budgets for all departments and operations of the District are prepared under the direction of the Prudential Committee. Original and supplemental appropriations are acted upon by vote of District Meeting. All General Fund functions are budgeted. Budgets for various special revenue funds utilized to account for specific grant programs (as applicable) and are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The actual results column of the Budgetary Comparison Schedule, are presented on a budget basis to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2018, is presented below.

During the fiscal year 2018, the District transferred \$210,000 out of the Ambulance Stabilization Fund to the General Fund for the purchase of an ambulance. The District also transferred \$55,000 from the General Fund to the General Stabilization Fund. Since the stabilization funds are included in the General Fund on the governmental fund financial statements, they are not reflected as interfund transfers. Additionally, the District transferred \$30,000 into the OPEB Trust Fund to continue to fund future other postemployment benefits, and transferred \$3,429 from the OPEB Trust Fund to the General Fund to subsidize retiree healthcare benefit payments. The OPEB transfers in and out have been reflected as employer contributions and deductions, respectively, in the OPEB Trust Fund Statement of Changes in Fiduciary Net Position. In the General Fund, these amounts are reported prudential operations expenditures and departmental and other revenue, respectively, in the Statement of Revenues, Expenditures and Changes in Fund Balance.

	Revenues	Expenditures	Other Financing Sources (Uses)
As reported on a budgetary basis	\$ 1,883,706	\$ 2,070,063	\$ 105,429
Adjustment for property taxes	8,038		
Contribution to OPEB Trust Fund		30,000	30,000
Net stabilization fund activity	4,812		(155,000)
Reclassification of Stabilization Fund appropriated transfer to Fire Engine Fund			(165,000)
Disbursement from OPEB Trust Fund for benefit payments	3,429		(3,429)
As reported on a GAAP basis	\$ 1,899,985	\$ 2,100,063	\$ (188,000)

See Independent Auditors Report.

REPORT IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

To the Honorable Prudential Committee
West Barnstable Fire District
West Barnstable, Massachusetts

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Barnstable Fire District, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the West Barnstable Fire District's basic financial statements and have issued our report thereon dated February 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the West Barnstable 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 West Barnstable Fire District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the West Barnstable 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 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we considered to be a significant deficiency.

Compliance and Other Matters

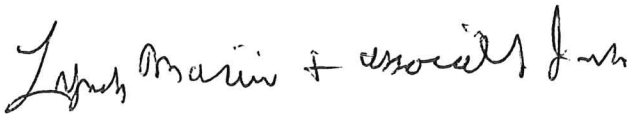
As part of obtaining reasonable assurance about whether the West Barnstable Fire District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

West Barnstable Fire District's Response to Findings

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

Purpose of this Report

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



Norwell, Massachusetts
February 21, 2019

**WEST BARNSTABLE FIRE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES**

2018-001 Timeliness of Cash Account Reconciliations

During the current year audit, we reviewed manual journal entries that were made to the general ledger throughout the course of the fiscal year. As a result of our procedures, we noted a significant amount of manual journal entries made to the general ledger cash accounts, particularly near year end, to correct errors and/or reconcile general ledger cash to the bank balances. Many of these journal entries made well after the effective date (posting date) of the journal entry, which indicates that cash reconciliations are not being performed on a timely basis. We recommend that cash accounts are more formally monitored and reconciled monthly to ensure that activity being processed is accounted for properly and any errors and misstatements (intentional or otherwise) are “prevented, detected and corrected on a timely basis.”

Management Response:

Monthly bank reconciliations on file would demonstrate that bank reconciliations were made on a monthly basis. However, adjustments resulting from the reconciliations were not made timely. The District concurs that the reconciliations and adjustments should be completed on a timely basis and this is being done currently.