

**WEST BARNSTABLE FIRE DISTRICT**  
**BASIC FINANCIAL STATEMENTS AND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**WITH INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**WEST BARNSTABLE FIRE DISTRICT**  
**BASIC FINANCIAL STATEMENTS**  
**AND MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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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), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the West Barnstable Fire District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages v – x, and the Schedule of OPEB Funding Progress, the Schedule of Changes in the District's Net OPEB Liability and Related Ratios, the Schedule of Contributions – Other Postemployment Benefits, the Schedule of Investment Returns – Other Postemployment Benefits, the Schedule of Pension Plan Contributions, and the Budgetary Comparison Schedule – General Fund and related notes on pages 34–40 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 Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2018, 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 the West Barnstable Fire District's internal control over financial reporting and compliance.

*Lynch, Marini & Associates Inc.*

Norwell, Massachusetts  
February 21, 2018

**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, 2017, 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, 2018.

**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. 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 *Government Auditing Standards*.

### Purpose of this Report

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

*Lynch Marini & Associates Inc.*

Norwell, Massachusetts

February 21, 2018

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## WEST BARNSTABLE FIRE DISTRICT

### Management's Discussion and Analysis

June 30, 2017

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, 2017. The intent of this discussion and analysis 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 end of the most recent fiscal year by approximately \$1.3 million (net position). The District's net investment in capital assets and restricted net position was \$1.8 million and \$66,000 respectively. The District reported a deficit unrestricted net position of \$547,000 at year end, primarily due to reporting of net other postemployment benefits (OPEB) obligation and net pension liability.
- The total cost of all District services for fiscal year 2017 was \$2.2 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund approximated \$666,000 or approximately 37.7% 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 consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. Required supplementary information as required by the Government Accounting Standards Board (GASB), are presented following the financial statements and related notes to provide additional 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, less 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.

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.

## WEST BARNSTABLE FIRE DISTRICT

### Management's Discussion and Analysis

June 30, 2017

**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 which is considered to be major a fund. The remaining governmental 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.

**Fiduciary funds:** *Fiduciary funds* are used to account for resources held in a trustee or agency capacity for others and therefore not available to support District programs. The reporting focus is on net position and changes in net position.

In 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 fund is accounted for as a fiduciary trust fund. The District contributed \$30,000 to the fund during the year 2017. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

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:** Government Accounting Standards require the presentation of the Schedule of Pension Plan Contributions, 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 OPEB Funding Progress Budgetary Comparison Schedule – General Fund and Notes to the Budgetary Schedule. This information follows the District's basic financial statements.

**WEST BARNSTABLE FIRE DISTRICT**  
Management's Discussion and Analysis  
June 30, 2017

**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 approximately \$1.3 million for governmental activities at the close of the most recent fiscal year. The following table demonstrates the net position of the District:

	<b>2017</b>	<b>2016</b>
	<b>Governmental</b>	<b>Governmental</b>
	<b>Activities</b>	<b>Activities</b>
Current assets	\$ 1,586,501	\$ 1,590,670
Capital assets, net of accumulated depreciation	1,822,910	1,979,081
Total assets	3,409,411	3,569,751
Deferred outflows of resources	280,380	239,217
Total assets and deferred outflows of resources	<u>\$ 3,689,791</u>	<u>\$ 3,808,968</u>
Current liabilities	\$ 61,507	\$ 46,702
Long-term liabilities	2,267,374	2,047,289
Total liabilities	2,328,881	2,093,991
Deferred inflows of resources	18,877	
Net position:		
Net investment in capital assets	1,822,910	1,979,081
Restricted	66,307	91,311
Unrestricted	(547,184)	(355,415)
Total net position	<u>1,342,033</u>	<u>1,714,977</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,689,791</u>	<u>\$ 3,808,968</u>

Included in the governmental activities current assets are \$1.3 million of cash and cash equivalents, and \$287,000 of accounts receivable. Capital assets of approximately \$1.8 million are reported net of accumulated depreciation of \$2.2 million. Deferred outflows of resources in the aggregate of \$280,000 are associated with the District's net pension liability to be amortized over future periods.

Current liabilities for governmental activities consists of \$62,000 of accounts payable and other current liabilities.

## WEST BARNSTABLE FIRE DISTRICT

### Management's Discussion and Analysis

June 30, 2017

Governmental activities non-current liabilities (due in more than one year) include approximately \$39,000 in compensated absences, \$755,000 in net other postemployment (OPEB) benefit obligations and \$1.5 million in net pension liability.

The largest portion of the District's governmental net position of approximately \$1.8 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). 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 \$66,000 represents resources that are subject to restrictions placed on how they may be used. The remaining balance of unrestricted net position which may be used to meet the District's ongoing obligations to citizens and creditors reported a deficit balance of approximately \$547,000, due to a requirement to report other postemployment (OPEB) benefits and the pension liabilities.

Governmental activities decreased the District's net position by \$372,944 during fiscal year 2017. A summary of revenues and major functional expenditures is presented below.

	2017	2016
	Governmental	Governmental
	Activities	Activities
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 178,095	\$ 274,387
Operating grants and contributions	98,302	192,533
Capital grants and contributions		59,905
Total program revenues	276,397	526,825
General revenues and transfers:		
Property taxes	1,522,248	1,552,760
Penalties and interest	22,851	13,216
Investment income	5,519	4,113
Departmental and other	2,415	1,750
Transfers		9,618
Total general revenues and transfers	1,553,033	1,581,457
<b>Total revenues and transfers</b>	<b>1,829,430</b>	<b>2,108,282</b>
<b>Expenses:</b>		
Prudential operations	701,276	571,462
Fire operations	1,501,098	1,462,475
<b>Total expenses</b>	<b>2,202,374</b>	<b>2,033,937</b>
<b>Change in net position</b>	<b>(372,944)</b>	<b>74,345</b>
Net position - beginning of year	1,714,977	1,640,632
Net position - end of year	\$ 1,342,033	\$ 1,714,977

## WEST BARNSTABLE FIRE DISTRICT

### Management's Discussion and Analysis

June 30, 2017

Key elements of governmental activities are as follows:

#### Revenues:

- Property taxes of \$1.5 million represent 83.2% of the District's total revenue.
- Charges for services represent charges for ambulance services. The decrease from the prior year of approximately \$96,000 was due to an increase in the allowance in the current year.
- Operating and capital grants and contributions decreased by approximately \$154,000 from the prior year primarily due to completion of the grant for window upgrades and the Staffing for Adequate Fire & Emergency Response (SAFER) grant in the prior year.

#### Expenses:

- The District realized an overall increase in expenses for the current fiscal year. These increases were primarily due to an increase in the proportionate share of pension expense related to employees' participation in the Barnstable County Retirement Association and the employees' increase in group health insurance. All of the other expenditures had relatively minor changes during the year.

### **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, the District's governmental funds reported combined ending fund balances of \$1.3 million, which remained consistent from the prior year.

The governmental funds' combined ending fund balances were reported in the following classifications: restricted fund balance of \$66,000, committed fund balance was \$326,000; assigned fund balance was \$221,000 and unassigned fund balance of approximately \$615,000.

The general fund is the chief operating fund. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$1.2 million, an increase of approximately \$11,000 from the previous year. Of this amount \$326,000 or 26.9% represents committed fund balance. Assigned fund balance of \$221,000 represents 18% of total general fund balance. Unassigned fund balance of \$666,000 represents 54.9% of 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. Total unassigned fund balance represents approximately 37.7% of total general fund expenditures and 36.4% of general fund revenues, while total general fund balance represents 68.5% and 66.2 %, respectively, of the same amounts.

**WEST BARNSTABLE FIRE DISTRICT**  
Management's Discussion and Analysis  
June 30, 2017

**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 \$2,093,828 is reduced by encumbrances and continuing appropriations of \$154,778 to calculate the final amended budget of \$1,939,050.

**Capital Asset and Debt Administration**

**Capital assets** - The District's investment in capital assets for governmental activities as of June 30, 2017 amounts to \$1,822,910, which is net of accumulated depreciation of \$2,210,414. The investment in capital assets includes land; buildings; improvements; machinery and equipment.

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

<u>Capital Assets</u>	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 350	\$ 350
Construction in progress		56
Buildings and related improvements	986	1,037
Equipment, machinery and vehicles	487	536
Total capital assets, net	<u>\$ 1,823</u>	<u>\$ 1,979</u>

The District's capital asset additions consisted of approximately \$53,000 of building improvements and equipment upgrades, including removal of construction in progress.

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

**Economic Factors and Next Year's Budgets and Rates**

The District's fiscal year 2017 budget increased approximately \$148,000, or 7% over the fiscal year 2017 budget.

**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, 2017

	Primary Government Governmental Activities
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 1,299,060
Receivables, net of allowance for uncollectibles	287,441
Capital assets, net of accumulated depreciation	1,822,910
Total assets	3,409,411
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Associated with net pension liability	280,380
Total deferred outflows of resources	280,380
Total assets and deferred outflows of resources	\$ 3,689,791
<b><u>LIABILITIES</u></b>	
Accounts payable and other current liabilities	\$ 61,507
Noncurrent liabilities:	
Due in more than one year	2,267,374
Total liabilities	2,328,881
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Associated with net pension liability	18,877
Total deferred inflows of resources	18,877
<b><u>NET POSITION</u></b>	
Net investment in capital assets	1,822,910
Restricted	66,307
Unrestricted	(547,184)
Total net position	1,342,033
Total liabilities, deferred inflows of resources and net position	\$ 3,689,791

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

# WEST BARNSTABLE FIRE DISTRICT

## Statement of Activities

For the Year Ended June 30, 2017

Functions/Programs Primary government	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Primary Government			Total	Governmental Activities	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:						
Prudential operations	\$ 701,276	\$	\$	\$	\$	(701,276)
Fire operations	1,501,098	178,095	98,302			(1,224,701)
Total governmental activities	\$ 2,202,374	\$ 178,095	\$ 98,302	\$		(1,925,977)
General revenues:						
Property taxes and payments in lieu, net of allowance for uncollectibles					1,522,248	
Penalties and interest					22,851	
Investment income					5,519	
Departmental and other					2,415	
Total general revenues					1,553,033	
Change in net position					(372,944)	
Net position - beginning of year					1,714,977	
Net position - end of year					\$ 1,342,033	

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

# WEST BARNSTABLE FIRE DISTRICT

## Balance Sheet – Governmental Funds

June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,207,251	\$ 91,809	\$ 1,299,060
Receivables	464,319		464,319
Interfund receivables	25,502		25,502
Total assets	<u>\$ 1,697,072</u>	<u>\$ 91,809</u>	<u>\$ 1,788,881</u>
<b><u>LIABILITIES</u></b>			
Accounts payable and other current liabilities	\$ 61,507	\$	\$ 61,507
Interfund payables		25,502	25,502
Total liabilities	<u>61,507</u>	<u>25,502</u>	<u>87,009</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred revenue	422,465		422,465
Total deferred inflows of resources	<u>422,465</u>		<u>422,465</u>
<b><u>FUND BALANCES</u></b>			
Restricted		66,307	66,307
Committed	325,968		325,968
Assigned	220,617		220,617
Unassigned	666,515		666,515
Total fund balances	<u>1,213,100</u>	<u>66,307</u>	<u>1,279,407</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,697,072</u>	<u>\$ 91,809</u>	<u>\$ 1,788,881</u>

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

Total fund balances of governmental funds	\$ 1,279,407
Capital assets used in governmental activities are not financial resources and not reported in funds.	1,822,910
Certain receivables are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	422,465
Reporting of assets on a full accrual basis requires an estimate for uncollectible accounts.	(176,878)
Amounts recorded as deferred outflows and deferred inflows associated with net pension liability are not recognized on the modified accrual basis.	261,503
Long-term liabilities are not due and payable in the current period and are not included in funds.	<u>(2,267,374)</u>
Net position of governmental activities	<u>\$ 1,342,033</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, 2017

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Property taxes	\$ 1,515,684	\$	\$ 1,515,684
Licenses, permits and fees	2,415		2,415
Penalties and interest on taxes	22,851		22,851
Investment income	5,021	498	5,519
Ambulance fees	241,555		241,555
Departmental and other	22,767		22,767
Intergovernmental	22,535		22,535
Total revenues	<u>1,832,828</u>	<u>498</u>	<u>1,833,326</u>
<b>Expenditures</b>			
Prudential operations	497,477		497,477
Fire operations	<u>1,272,425</u>	<u>25,502</u>	<u>1,297,927</u>
Total expenditures	<u>1,769,902</u>	<u>25,502</u>	<u>1,795,404</u>
Revenues over/under expenditures	62,926	(25,004)	37,922
Fund balance, beginning of year	<u>1,150,174</u>	<u>91,311</u>	<u>1,241,485</u>
Fund balance, end of year	<u><u>\$ 1,213,100</u></u>	<u><u>\$ 66,307</u></u>	<u><u>\$ 1,279,407</u></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 of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2017

Revenues over expenditures	\$ 37,922
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	53,000
Depreciation recorded for the fiscal year	(209,171)
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	47,836
Net change in allowance for uncollectible accounts	(104,732)
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 and inflows associated with pensions	22,286
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	6,000
Other post-employment benefits	(71,987)
Net pension liability	<u>(154,098)</u>
Change in net position of governmental activities	<u>\$ (372,944)</u>

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

**WEST BARNSTABLE FIRE DISTRICT**  
Statement of Fiduciary Net Position – Fiduciary Funds  
June 30, 2017

	<b>Other Post Employment Benefits Trust Funds</b>
<b><u>ASSETS</u></b>	
Cash	\$ 34
Investments	<u>77,911</u>
Total assets	<u><u>\$ 77,945</u></u>
 <b><u>NET POSITION</u></b>	
Amounts held in trust for other post-employment benefits	<u>\$ 77,945</u>
Total net position	<u><u>\$ 77,945</u></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, 2017

	<b>Other Post Employment Benefits Trust Fund</b>
<b>Additions</b>	
Employer contributions	\$ 43,538
Earnings on investments, net of costs	10,845
Total additions	<u>54,383</u>
<b>Deductions</b>	
Benefit payments	<u>24,040</u>
Total deductions	<u>24,040</u>
Change in net position	<u>30,343</u>
Net position at beginning of year	<u>47,602</u>
Net position at end of year	<u><u>\$ 77,945</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

#### Note 1. Organization 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 Town of 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. Financial statements may be obtained from the joint venture by contacting them directly. The District also participates in cost sharing group for pension benefits. See the accompanying notes for additional information. The District does not have an equity interest in the joint venture.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY 2017 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	\$ 155,388

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

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

#### 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.

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.

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

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 or 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.

The District uses the following fund types:

#### 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 and report all financial resources not accounted for and reported in another fund.

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.
- 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.

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

#### 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 the 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.
- 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 susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

#### **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.

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.

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

#### **F. Receivables**

Receivables consist of all revenues earned 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. The District classifies outstanding personal property taxes three or more years old as uncollectible for financial reporting purposes. The District estimates 40% of outstanding ambulance billings 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 improvements, and furniture and equipment, 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' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

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, vehicles and other      | 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 capital outlay expenditures of the governmental fund upon acquisition.

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

#### **H. Deferred Outflows and Deferred Inflows**

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 post-employment obligations and net pension liabilities.

#### **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 when incurred. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

#### **K. 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.

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

#### L. 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 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.

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.

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

- 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 formal 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 within the general fund.

#### **M. 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.

#### **N. 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.

##### **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.

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

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, 2017, the classification of the District's fund balances can be detailed as follows:

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Restricted:</b>			
Fire operations	\$	\$ 66,307	\$ 66,307
Subtotal		66,307	66,307
<b>Committed:</b>			
Fire operations	325,968		325,968
Subtotal	325,968		325,968
<b>Assigned:</b>			
Prudential operations	59		59
Fire operations	220,558		220,558
Subtotal	220,617		220,617
<b>Unassigned</b>	666,515		666,515
<b>Total</b>	<b>\$ 1,213,100</b>	<b>\$ 66,307</b>	<b>\$ 1,279,407</b>

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 fund balance. As of June 30, 2017, the District maintained a balance of \$258,668 in its general stabilization fund, which is included in the unassigned fund balance of the general fund and a balance of \$210,962 in its Ambulance Stabilization Fund, for the purchase of a new ambulance, and is included with the assigned fund balance above.

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

#### **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, 2017:

Gifts	\$ 66,307
Total	<u>\$ 66,307</u>

#### **Note 4. Cash, Cash Equivalents and Investments**

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 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, 2017, deposits totaled \$1,305,137 and had a carrying amount of \$1,299,094. 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). At June 30, 2017, the District's investments held with PCOT totaled \$77,911. The investments held with PCOT are measured using the net asset value (NAV) per share. The District's investment in the PCOT is valued using the underlying portfolio investment's fair market value attributable to the number of units held by the District. The fair values of the portfolio investments are determined using the market approach for quotations that are readily available; for investments whose quotations are not readily available, the portfolio manager determines fair value in good faith. Investments in the PCOT include domestic and international equities, fixed income and real estate securities. There are no unfunded commitments or distribution restrictions at June 30, 2017.

*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 the sensitivity of its fair market value to changes in market interest rates.

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

*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 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	\$ 155,490	\$ (126)	\$ 155,364
Tax liens	64,193		64,193
Ambulance	221,258	(176,752)	44,506
Due from federal government	23,378		23,378
Total governmental activities	<u>\$ 464,319</u>	<u>\$ (176,878)</u>	<u>\$ 287,441</u>

# WEST BARNSTABLE FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2017

### Note 6. Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 350,202	\$	\$	\$ 350,202
Construction in progress	55,822		(55,822)	
Subtotal	406,024		(55,822)	350,202
Capital assets being depreciated:				
Buildings and related improvements	1,867,010	22,610		1,889,620
Equipment, machinery & vehicles	1,707,290	86,212		1,793,502
Subtotal	3,574,300	108,822		3,683,122
Less: accumulated depreciation:				
Buildings and related improvements	830,427	73,366		903,793
Equipment, machinery & vehicles	1,170,816	135,805		1,306,621
Subtotal	2,001,243	209,171		2,210,414
Governmental activities capital assets, net	<u>\$ 1,979,081</u>	<u>\$ (100,349)</u>	<u>\$ (55,822)</u>	<u>\$ 1,822,910</u>

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

### Governmental activities

Fire operations	\$ 209,171
Total depreciation expense - governmental activities	<u>\$ 209,171</u>

# WEST BARNSTABLE FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2017

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

At June 30, 2017, 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:

<u>Deferred outflows of resources</u>	<u>Amount</u>
Change in actuarial assumptions	\$ 87,394
Change in proportion related to total pension liability	109,242
Difference between expected and actual investment income	83,744
Total deferred outflows of resources	<u>\$ 280,380</u>
<u>Deferred inflows of resources</u>	
Difference between expected and actual investment income	\$ 18,877
Total deferred inflows of resources	<u>\$ 18,877</u>

#### **Governmental Funds:**

#### Deferred inflows of resources:

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	\$ 137,014
Liens and deferrals	64,193
Ambulance fees	221,258
Total deferred revenue	<u>\$ 422,465</u>

### Note 8. Interfund Balances and Activity

As of June 30, 2017, the general fund was due \$25,502 from other governmental funds. There were no interfund transfers during the year ended June 30, 2017.

**WEST BARNSTABLE FIRE DISTRICT**

## Notes to the Financial Statements

June 30, 2017

**Note 9. Long-term Obligations**

The following is a summary of changes in long-term obligations for the year ended June 30, 2017:

<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Current Portion</u>
<b><u>Governmental activities:</u></b>					
Other post-employment benefits	\$ 683,136	\$ 115,518	\$ (43,531)	\$ 755,123	\$
Net pension liability	1,319,153	291,834	(137,736)	1,473,251	
Compensated absences	45,000		(6,000)	39,000	
Total business-type activities	<u>\$ 2,047,289</u>	<u>\$ 407,352</u>	<u>\$ (187,267)</u>	<u>\$ 2,267,374</u>	<u>\$</u>

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.

Unissued debt authorizations consist of the following at June 30, 2017:

<u>Purpose</u>	<u>Fiscal Year Authorized</u>	<u>Amount</u>
Fire Engine	2016	\$ 300,000
Total authorized and unissued		<u>\$ 300,000</u>

**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, 2017.

***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 does 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:

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

- 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 District did not have any temporary borrowings outstanding at June 30, 2016 and did not perform any temporary borrowing during the fiscal year.

#### **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, 2016, the Association had 51 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, 2016, 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.

**WEST BARNSTABLE FIRE DISTRICT**  
Notes to the Financial Statements  
June 30, 2017

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.

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 was \$121,098, which was net of the discount of approximately \$2,000.

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, 2016.

At December 31, 2016, based upon the valuation date of January 1, 2016:

	<u>2016</u>
Total pension liability	\$ 1,644,743,370
Less: plan fiduciary net position	<u>942,162,719</u>
Net pension liability	\$ 702,580,651

Plan's fiduciary net position as a percentage of total pension liability	57.28%
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Total employer pension expense	\$ 106,554,935
The District's proportionate share of the collective net pension liability	\$ 1,473,251
The District's percentage share of the collective net pension liability	0.210%
District covered payroll	\$ 593,280
The District's proportionate share of pension expense recognized	\$ 250,671

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

The collective net deferred inflows/outflows of resources of the Plan was \$72,612,188 at December 31, 2016. The District's proportionate share of collective deferred inflows/outflows of resources was \$261,503, 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 \$68,578 for the years ending June 30, 2018 and June 30, 2019, \$68,071 for the year ending June 30, 2020, \$42,253 for the year ending June 30, 2021 and \$14,023 for the year ending June 30, 2022.

#### Actuarial Assumptions

Valuation date	January 1, 2016
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Appropriations increase at 5.28% per year
Remaining amortization period	20 years
Asset valuation method	A preliminary actuarial value is first determined by taking the actuarial value of assets at the beginning of the year and adding assumed investment earnings and the net new money during the year. 20% of the difference between market value of assets as reported in the Association's Annual Statement and the preliminary actuarial value of assets is added to the preliminary actuarial value. In order for the actuarial value to not differ too significantly from the market value of assets, the final actuarial value of assets must be within 20% of the market value of assets.
Investment rate of return/discount rate	7.625%, net of pension plan investment expense, including inflation
Projected salary increases	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2 and 4.75% for Group 4.
Cost of living adjustments	3.0% of first \$16,000 of retirement income as of July 1, 2015, \$17,000 as of July 1, 2016, and \$18,000 as of July 1, 2017
Rates of retirement	Varies based upon age for general employees, police and fire employees
Rates of disability	General employees – 45% of all ordinary (55% service connected) Police & Fire – 10% ordinary (90% service connected)
Mortality rates	
Pre-retirement	The RP-2000 Employee Mortality Table projected generationally with Scale BB2D from 2009
Healthy retiree	The RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2009
Disabled retiree	The RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015

#### 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.

# WEST BARNSTABLE FIRE DISTRICT

## Notes to the Financial Statements

June 30, 2017

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 ranges are combined to produce long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equity	18.00%	6.44%
International developed markets equity	16.00%	7.40%
International emerging markets equity	6.00%	9.42%
Core fixed income	13.00%	2.02%
High-yield fixed income	10.00%	3.00%
Real estate	10.00%	4.00%
Commodities	4.00%	4.00%
Hedge fund, GTAA, Risk parity	13.00%	3.00%
Private equity	10.00%	10.00%
	<u>100.00%</u>	

### Discount Rate

The discount rate used to measure the total pension liability was 7.625%. The discount rate was selected based on a projection of employer and employee contributions benefit payments, expenses and the long term expected rate of return on trust assets. Under Chapter 32 of the Massachusetts General Law, employers are required to make the necessary contributions to the trust such that the plan reaches a full funding status by 2040.

### Sensitivity of the net position liability to changes in the discount rate

The following presents the net pension liability calculated using the discount rate of 7.625%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.625%) or 1-percentage point higher (8.625%):

	<u>1% Decrease to 6.625%</u>	<u>Current Discount Rate 7.625%</u>	<u>1% Increase to 8.625%</u>
Barnstable County Retirement Association's net pension liability as of December 31, 2016	\$ 894,041,463	\$ 702,580,651	\$ 541,092,898
District's proportionate share of net pension liability as of December 31, 2016	\$ 1,874,724	\$ 1,473,251	\$ 1,134,623

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

#### **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 \$39,000.

#### **C. Other Postemployment Benefits (GASB 45)**

##### Plan Description

The District maintains an irrevocable OPEB trust fund for the accumulation of assets to fund other postemployment benefits. At June 30, 2017, the District (employer) reports the net OPEB obligation to the provisions of GAST Statement #45.

The District administers a single employer defined benefit plan which provides health, dental and life insurance to substantially all retired employees and their spouses (plan members). Total plan participants are 9, comprised of 7 active members and 2 retirees, beneficiaries and dependents.

##### Benefits Provided

The District pays health and dental benefits on a pay as you go basis. These benefits are provided for and amended under various provisions of Massachusetts General Law (MGL), District Ordinances and terms of collective bargaining agreements.

##### Funding Policy

In addition to the pension benefits, the District provides postretirement healthcare benefits to all retirees, their dependents and beneficiaries in accordance with Chapter 32B of MGL under various contributory plans. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and District ordinance. Currently, 2 retirees are eligible to receive such benefits. All benefits are provided through a third-party insurance carrier that administers, assumes, and pays all claims. The District contributes 75% of the insurance premiums with the remainder funded through pension benefit deductions. During fiscal year 2016, those cost totaled approximately \$13,500.

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

#### Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the provisions of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the plan, and changes in the District's net OPEB obligation as of and for the year ended June 30, 2017:

	<b>Governmental Activities</b>
Annual required contribution	\$ 104,313
Interest on net OPEB obligation	47,820
Adjustment to annual required contribution	<u>(36,615)</u>
Annual OPEB cost (expense)	115,518
Contributions made	<u>(43,531)</u>
Increase in net OPEB obligation	71,987
Net OPEB obligation - beginning of the year	<u>683,136</u>
Net OPEB obligation - end of year	<u><u>\$ 755,123</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>OPEB Obligation</u>
6/30/2017	\$ 115,518	37.68%	\$ 755,123
6/30/2016	\$ 95,084	10.12%	\$ 683,136
6/30/2015	\$ 95,084	7.54%	\$ 597,670

#### Funding Status and Funding Progress

Actuarial accrued liability (AAL)	\$689,851
Actuarial value of plan assets	<u>47,601</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$642,250</u>
Funded ratio (actuarial value of plan assets/AAL)	6.9%
Covered payroll	\$662,640
UAAL as a percentage of covered payroll	96.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

#### Actuarial Methods and Assumptions

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

The following are significant assumptions used in the actuarial valuation.

Actuarial Valuation Date: June 30, 2016

Actuarial Cost Method: Entry Age Normal – Level percentage of payroll

Investment Rate of Return: 7.00%

Medical Inflation Assumptions: CCMHG: Under 65 – 10.5%, then 7.0% decreasing for 6 years to an ultimate rate of 4.5% per year. Over 65 – 1.9% then 7.0% decreasing by 0.5% for 6 years to an ultimate level of 4.5% per year.

GIC: Under 65 – 6.8%, then 8.5% decreasing by 0.5% 8 years to an ultimate rate of 5.0% per year. Over 65 – 1.6% then 8.5% decreasing by 0.5% for 8 years to an ultimate level of 5.0% per year.

Annual Compensation Increases: 3.5%

Actuarial Value of Assets: Market value

Amortization of UAAL: 30 years from July 1, 2016

Remaining Amortization Period: 24 years at June 30, 2017

#### D. Other Postemployment Benefits (GASB 74)

As previously indicated, the District maintains an irrevocable OPEB trust fund. Current GASB Statement #75 requires reporting certain actuarial determinations from the perspective of the Trust as of June 30, 2017. These are detailed as follows.

In fiscal year 2014, the District established an OPEB Trust fund to provide funding for future employee health care costs.

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

#### Investments

In fiscal year 2016, the District approved the District's OPEB plan to participate in the Plymouth County OPEB Trust Program (PCOT). PCOT is part of the Public Agencies Post Retirement Healthcare Trust (the Trust) with its own separate investment pool for members. Each participating agency within the Trust is considered a single agent employer for accounting and administration purposes. Participating agencies maintain separate benefit structures and plans, and there is no cost sharing. The Trust, established in 2007, is a public agency agent multiple employer post-retirement health care trust under Section 115 of the Internal Revenue Code. The basic duties of the Trust are receiving and tracking contributions based solely on date received from member public agencies, accumulating and transferring those contributions into investment accruals, and paying benefits under the direction of the Plan administrator. The District's Treasurer acts as the District's OPEB Plan Administrator acting on behalf of the District in all matters relating to the District's participation in the Trust. At June 30, 2017, the District maintained \$77,945 in the Trust, which has been reported as investments for financial reporting purposes.

*Investment policy.* The PCOT Board pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The PCOT Board's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset allocations over short time spans. There was no asset allocation information available at June 30, 2017.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long term Expected Rate of Return</u>
Domestic equity	N/A	6.44%
International equity	N/A	7.40%
Emerging market equity	N/A	9.42%
Core fixed income	N/A	2.02%
High-yield fixed income	N/A	4.43%
Real estate	N/A	5.00%
Commodities	N/A	4.43%
Hedge funds	N/A	3.75%
Private equity	N/A	10.47%

*Rate of return.* For the year ended June 30, 2017, the annual money weighted rate of return on investments, net of investment expense, was 0.46 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Net OPEB liability of the District

The components of the net OPEB liability of the District at June 30, 2017 were as follows:

Total OPEB liability	\$ 792,255
Plan fiduciary net position	<u>77,945</u>
District's net OPEB liability	<u>\$ 714,310</u>
Plan fiduciary net position as a percentage of total OPEB liability	9.84%

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

#### Actuarial Methods and Assumptions

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

Valuation date:	Actuarially determined contribution for fiscal year ended June 30, 2017 was determined with June 30, 2016 actuarial valuation.
Actuarial Cost Method:	Entry Age Normal – Level Percentage of Payroll
Investment Rate of Return:	7.0% per annum
Medical Inflation Assumption:	CCMHG: Under 65 – 10.5%, then 7.0% decreasing for 6 years to an ultimate rate of 4.5% per year. Over 65 – 1.9% then 7.0% decreasing by 0.5% for 6 years to an ultimate level of 4.5% per year. GIC: Under 65 – 6.8%, then 8.5% decreasing by 0.5% 8 years to an ultimate rate of 5.0% per year. Over 65 – 1.6% then 8.5% decreasing by 0.5% for 8 years to an ultimate level of 5.0% per year.
Annual Compensation Increases:	3.5% per annum
Actuarial Value of Assets:	Market Value
Mortality rates:	Preretirement – RP-2000 Employee Mortality Table projected generationally with Scale BB2D from 2009. Postretirement – RP – 2000 Annuitant Mortality Table projected generationally with Scale BB2D from 2009. Disabled – RP-2014 Health Annuitant Mortality Table set forward 4 years and projected generationally with Scale BB2B from 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. 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 the Financial Statements

June 30, 2017

<u>Asset Class</u>	<u>Long term Expected Rate of Return</u>
Domestic equity	6.44%
International equity	7.40%
Emerging market equity	9.42%
Core fixed income	2.02%
High-yield fixed income	4.43%
Real estate	5.00%
Commodities	4.43%
Hedge funds	3.75%
Private equity	10.47%

*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 District contributions will be made at rates equal to the actuarial determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all period of projected benefit payments to determine the total OPEB liability.

*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 in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
The District's net OPEB liability as of June 30, 2017	\$ 811,589	\$ 714,310	\$ 633,140

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following represents 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 than the current rates:

	<u>1% Decrease in Healthcare Trend</u>	<u>Current Healthcare Trend</u>	<u>1% Increase in Healthcare Trend</u>
The District's net OPEB liability as of June 30, 2017	\$ 609,587	\$ 714,310	\$ 844,822

### 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 risks, 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 \$130,000. Additional information related to the Group may be obtained by contacting the Group directly.

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

#### **Note 13. Commitments and Contingencies**

The District is named as a defendant in several lawsuits at June 30, 2017. In the opinion of District management, the ultimate resolution of these legal actions will result in a loss of approximately \$51,500 related to wages and benefits incurred during fiscal year 2018. Accordingly, the District will recognize this amount during fiscal year 2018.

#### **Note 14. Subsequent Events**

In the beginning of fiscal year 2018, there were two major purchases of vehicles. There was the purchase of a fire engine for \$465,000 and the purchase of an ambulance for \$300,000. The District issued a \$300,000 short term note to partially finance the purchase of the fire engine.

#### **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 #74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This pronouncement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The District has implemented this pronouncement.

The GASB issued Statement #77, Tax Abatement Disclosures. This pronouncement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The District has assessed this pronouncement and determined that it did not have a material effect on financial reporting.

##### **Future pronouncements**

The GASB issued Statement #75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions, which is required to be implemented in fiscal year 2018. The pronouncement replaces previously issued guidance and establishes new accounting and financial reporting requirements for governments whose employees are provided other post-employment benefits. The pronouncement will have a material effect upon the district's financial statements.

The GASB issued Statement #82, Pension Issues - An Amendment of GASB Statement No. 67, No. 68 and No. 73 which is generally required to be implemented in fiscal year 2018. The pronouncement addresses certain classification, presentation and other issues raised with previous Statements addressing pension obligations. The District expects to implement 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.

## WEST BARNSTABLE FIRE DISTRICT

### Notes to the Financial Statements

June 30, 2017

The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in fiscal year 2018. This pronouncement addresses practice issues that have been identified during the implementation and application of certain GASB Statements. 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 previously were 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**WEST BARNSTABLE FIRE DISTRICT**  
Required Supplementary Information  
Schedule of OPEB Funding Progress (GASB 45)  
For the Year Ended June 30, 2017

<u>Schedule of Funding Progress</u>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
6/30/2016	\$ 47,601	\$ 689,851	\$ 642,250	6.9%	\$ 662,640	96.9%
6/30/2015	\$ 31,476	\$ 569,082	\$ 537,606	5.5%	\$ 839,457	64.0%
6/30/2014	\$ 15,954	\$ 489,691	\$ 473,737	3.3%	\$ 753,741	62.9%

**Notes to the Required Supplementary Information:**

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

Actuarial Valuation Date: June 30, 2016

Actuarial Cost Method: Entry Age Normal – Level percentage of payroll

Investment Rate of Return: 7.00%

Medical Inflation Assumptions: CCMHG: Under 65 – 10.5%, then 7.0% decreasing for 6 years to an ultimate rate of 4.5% per year. Over 65 – 1.9% then 7.0% decreasing by 0.5% for 6 years to an ultimate level of 4.5% per year.  
GIC: Under 65 – 6.8%, then 8.5% decreasing by 0.5% 8 years to an ultimate rate of 5.0% per year. Over 65 – 1.6% then 8.5% decreasing by 0.5% for 8 years to an ultimate level of 5.0% per year.

Annual Compensation Increases: 3.5%

Actuarial Value of Assets: Market value

Amortization of UAAL: 30 years open

See Independent Auditor's Report.

**WEST BARNSTABLE FIRE DISTRICT**  
Required Supplementary Information  
Schedule of Changes in District's Net OPEB Liability and Related Ratios –  
Other Postemployment Benefits (GASB 74)  
For the Year Ended June 30, 2017

<b>Total OPEB liability</b>	<b>2017</b>
Service cost	\$ 63,656
Interest	52,279
Benefits payments	<u>(13,531)</u>
<b>Net change in total OPEB liability</b>	102,404
<b>Total OPEB liability - beginning</b>	<u>689,851</u>
<b>Total OPEB liability - ending (a)</b>	<u><u>\$ 792,255</u></u>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 43,531
Net investment income	344
Benefit payments	<u>(13,531)</u>
<b>Net change in fiduciary net position</b>	30,344
<b>Plan fiduciary net position - beginning</b>	<u>47,601</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>77,945</u></u>
<b>District's net OPEB liability - ending (a-b)</b>	<u><u>\$ 714,310</u></u>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	9.84%
<b>Covered - employee payroll</b>	662,640
<b>District's net OPEB liability as a percentage of covered-employee payroll</b>	107.80%

\* 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.

See Independent Auditor's Report.

**WEST BARNSTABLE FIRE DISTRICT**  
Required Supplementary Information  
Schedule of Contributions – Other Postemployment Benefits and Related Notes (GASB 74)  
For the Year Ended June 30, 2017

	<u>2017</u>
Actuarially determined contribution	\$ 104,313
Contributions in relation to the actuarially determined contribution	<u>\$ 43,531</u>
Contribution deficiency (excess)	<u><u>\$ 60,782</u></u>
Covered-employee payroll	\$ 662,640
Contributions as a percentage of covered-employee payroll	6.57%

\* 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.

**Notes to Schedule**

Valuation date: June 30, 2016

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method: Entry Age Normal – Level Percentage of Payroll

Amortization method: Level percentage of payroll

Amortization period: 30 years from July 1, 2016

Asset valuation method: Fair market value

Inflation: 3.5%

Healthcare cost trend rate: CCMHG Under 65 – 10.5% for 1 year, then 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. Dental – 2.1% for 1 year, then 4.5% per year.

GIC Under 65 – 6.8% for 1 year, then 8.5% decreases by 0.5% each year to an ultimate level of 5.0% per year. Over 65 – 1.6% for 1 year, then 8.5% decreasing by 0.5% each year to an ultimate level of 5.0% per year.

Salary increases: *Group 1 & 2* 6.0% decreasing over 9 years to an ultimate level of 4.25%.  
*Group 4* 7.0% decreasing over 5 years to an ultimate level of 4.75%.

Investment rate of return: 7.0%

See Independent Auditor's Report.

**WEST BARNSTABLE FIRE DISTRICT**  
Required Supplementary Information  
Schedule of Contributions – Other Postemployment Benefits and Related Notes (GASB 74)  
For the Year Ended June 30, 2017

Retirement age:	Varies
Mortality:	Preretirement – Employee Mortality Table projected generationally with Scale BB2D from 2009. Postretirement – RP-2000 Healthy Annuitant Table projected generationally with Scale BB2D from 2009. Disabled – RP-2000 Healthy Annuitant Table projected generationally with Scale BB2D from 2015.

**WEST BARNSTABLE FIRE DISTRICT**  
Required Supplementary Information  
Schedule of Investment Returns – Other Postemployment Benefits (GASB 74)  
For the Year Ended June 30, 2017

	<u><b>2017</b></u>
Annual money-weighted rate of return, net of investment expense	0.46%

\*\*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.

See Independent Auditor's Report.

# WEST BARNSTABLE FIRE DISTRICT

## Required Supplementary Information

### Schedule of Pension Plan Contributions

For the Year Ended June 30, 2017

#### 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. Based on the actuarial valuation date of the Plan of January 1, 2017, the following is presented:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 1,644,743,370	\$ 1,502,651,474	\$ 1,426,632,712
Less:			
Plan fiduciary net position	(942,162,719)	(873,002,091)	(862,069,292)
Net pension liability	<u>\$ 702,580,651</u>	<u>\$ 629,649,383</u>	<u>\$ 564,563,420</u>
Plan fiduciary net position as a percentage of total pension liability	57.28%	58.10%	60.43%
District's proportionate/allocated share of collective net pension liability	\$ 1,473,251	\$ 1,319,153	\$ 1,021,869
District's proportionate share of pension expense	\$ 250,671	\$ 146,053	\$ 100,153
District's share of collective net pension liability as a percentage of the total	0.210%	0.210%	0.181%
Actuarially determined contribution	\$ 118,859	\$ 113,140	\$ 94,267
Contributions in relation to actuarial determined contribution	<u>\$ (118,859)</u>	<u>\$ (113,140)</u>	<u>\$ (94,267)</u>
Contribution deficiency(excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered payroll	\$ 593,280	\$ 580,969	\$ 474,762
District's contributions as a percentage of covered payroll	20.03%	19.47%	19.86%
District's proportionate share of the collective net pension liability as a percentage of covered payroll	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.

See Independent Auditor's Report.

**WEST BARNSTABLE FIRE DISTRICT**  
Required Supplementary Information  
Budgetary Comparison Schedule – General Fund  
For the Year Ended June 30, 2017

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 1,509,294	\$ 1,509,294	\$ 1,513,484	\$ 4,190
Licenses, permits and fees	1,700	1,700	2,415	715
Penalties and interest	12,500	12,500	22,851	10,351
Investment interest	800	800	1,484	684
Ambulance	210,000	210,000	241,555	31,555
Departmental and other			34,800	34,800
Total revenues	<u>1,734,294</u>	<u>1,734,294</u>	<u>1,816,589</u>	<u>82,295</u>
<b>Expenditures</b>				
Prudential operations	483,498	483,440	467,477	15,963
Fire operations	1,610,280	1,455,560	1,272,425	183,135
Debt service	50	50		50
Total expenditures	<u>2,093,828</u>	<u>1,939,050</u>	<u>1,739,902</u>	<u>199,148</u>
Revenues over (under) expenditures	(359,534)	(204,756)	76,687	281,443
<b>Other financing sources (uses)</b>				
Transfers in to other funds	175,502	175,502	175,502	
Transfers out to other funds	<u>(115,000)</u>	<u>(115,000)</u>	<u>(115,000)</u>	
Total other financing (uses)	60,502	60,502	60,502	
Revenues and other financing sources over (under) expenditures and other financing uses	(299,032)	(144,254)	<u>\$ 137,189</u>	<u>\$ 281,443</u>
<b>Other budget items</b>				
Carryover articles and encumbrances	149,032	(5,746)		
Available Fund Balance	<u>150,000</u>	<u>150,000</u>		
Total other budget items	<u>299,032</u>	<u>144,254</u>		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditor's Report.

**WEST BARNSTABLE FIRE DISTRICT**  
 Required Supplementary Information  
 Notes to the Budgetary Comparison Schedule – General Fund  
 For the Year Ended June 30, 2017

**Note 1. Budgetary Basis of Accounting**

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 Budget Comparison Schedule – General Fund, are presented on a “budgetary 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, 2017, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
As reported on a budgetary basis	\$ 1,816,589	\$ 1,739,902	\$ 60,502
Adjustment for property taxes	2,200		
Contribution to OPEB trust fund		30,000	30,000
Net stabilization fund activity	3,537		(80,000)
Disbursement from OPEB trust fund for benefit payments	10,502		(10,502)
As reported on a GAAP basis	<u>\$ 1,832,828</u>	<u>\$ 1,769,902</u>	<u>\$</u>

See Independent Auditor’s Report.