

**WESTERN COVENTRY FIRE DISTRICT**

**FINANCIAL STATEMENTS**

**FEBRUARY 29, 2016**

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# Dittmar McNeil & Ferolito

Certified Public Accountants, Inc.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Western Coventry Fire District  
Greene, Rhode Island 02827

### 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 Western Coventry Fire District, as of and for the year ended February 29, 2016, and the related notes to the financial statements, which collectively comprise the Fire District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Western Coventry Fire District, as of February 29, 2016, 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.

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**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-9 and 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Western Coventry Fire District's basic financial statements. The schedule of uncollected taxes is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of uncollected taxes is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of uncollected taxes is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2015, on our consideration of the Western Coventry Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Western Coventry Fire District's internal control over financial reporting and compliance.

*Dittmar McNeil & Ferolito, CPAs*

Dittmar, McNeil & Ferolito, CPAs, Inc.  
Warwick, Rhode Island  
July 29, 2016



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**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 Board of Directors  
Western Coventry Fire District  
Greene, Rhode Island 02827

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 Western Coventry Fire District, as of and for the year ended February 29, 2016, and the related notes to the financial statements, which collectively comprise Western Coventry Fire District's basic financial statements, and have issued our report thereon dated July 29, 2016.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Western Coventry Fire District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

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**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.

*Dittmar McNeil & Ferolito, CPAs*

Dittmar, McNeil & Ferolito CPAs, Inc.  
Warwick, Rhode Island  
July 29, 2016

**Western Coventry Fire District  
Management's Discussion and Analysis  
February 29, 2016**

As Management of Western Coventry Fire 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 February 29, 2016.

**FINANCIAL HIGHLIGHTS**

- The assets of the Western Coventry Fire District exceeded its liabilities at the close of the most recent fiscal year by \$1,935,892 (net position). The majority of the District's net position is invested in capital assets.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$235,393, the non-spendable prepayments fund balance totaled \$10,990. The committed balance for the rescue services fund was \$254,283. The restricted fund balance for the fire prevention fund was \$2,439.
- The District had revenues of \$748,677 and total operating expenses of \$705,408 for an increase in net position of \$43,269.
- Actual expenditures were slightly below the budgeted amounts.

**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 basic financial statements are comprised of two components: 1) combined government-wide and fund financial statements 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

- Combined government-wide and fund financial statements – GASB No. 34, paragraph 136, provides that for special-purpose governments engaged in a single governmental program, the fund financial statements and the government-wide statements may be combined.
- The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The statement of activities presents information showing how the District's net position changed during the year.

The financial statements also include notes that provide additional information that is essential to a full understanding of the data provided in the combined government-wide and fund financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**Western Coventry Fire District  
Management's Discussion and Analysis  
February 29, 2016**

**FINANCIAL ANALYSIS OF THE DISTRICT**

**Net Position**

Approximately 74% of the District's net position reflects its investment in capital assets (e.g., land, building, and equipment). The District uses these capital assets to provide fire protection and emergency rescue service for the residents of Western Coventry.

**THE DISTRICT'S NET POSITION**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current Assets	\$ 552,213	\$ 528,725
Capital Assets	<u>2,604,994</u>	<u>2,725,183</u>
<b>Total Assets</b>	<u>\$ 3,157,207</u>	<u>\$ 3,253,908</u>
<b>Liabilities</b>		
Current Liabilities	\$ 89,574	\$ 189,066
Long-term Liabilities	<u>1,131,741</u>	<u>1,172,219</u>
<b>Total Liabilities</b>	<u>1,221,315</u>	<u>1,361,285</u>
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt	1,432,787	1,436,248
Rescue Service Fund	254,283	220,628
Fire Prevention Fund	2,439	965
Nonspendable - Prepayments	10,990	11,706
General Fund	<u>235,393</u>	<u>223,076</u>
<b>Total Net Position</b>	<u>1,935,892</u>	<u>1,892,623</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 3,157,207</u>	<u>\$ 3,253,908</u>

**Changes in Net Position**

The District's total revenues were \$748,677. For the fiscal year ended February 29, 2016, 79% of the District's revenue was from taxes and interest on delinquent taxes, 20% came from rescue recovery, and 1% came from miscellaneous sources.



**Western Coventry Fire District  
Management's Discussion and Analysis  
February 29, 2016**

**Changes in Net Position – Continued**

Program revenues:		
Charges for services	\$ 150,290	\$ 107,243
General revenues:		
Fire taxes	571,867	549,936
Interest on delinquent taxes	17,887	22,628
Investment income	1,121	255
Grants	4,544	1,000
Miscellaneous income	<u>2,968</u>	<u>1,015</u>
 Total Revenues	 \$ <u>748,677</u>	 \$ <u>682,077</u>
Expenses:		
Salaries and benefits	\$ 341,051	\$ 319,042
Training and administration	4,466	5,393
Insurance	45,029	41,027
Legal and professional	19,840	19,539
Truck and equipment maintenance	33,002	33,853
Building and facility maintenance	34,147	31,745
Rescue supplies and equipment	8,900	15,581
Office supplies	2,846	4,564
Gear and equipment	5,538	7,489
Telephone	4,050	3,592
Depreciation	145,590	145,917
Interest expense	57,319	61,150
Fire alarm capital fund	2,500	2,500
Fire prevention	701	555
911 sign program	-	112
Miscellaneous	<u>429</u>	<u>372</u>
 Total Expenses	 <u>705,408</u>	 <u>692,431</u>
 Increase (Decrease) in Net Position	 43,269	 (10,354)
 Beginning Net Position	 <u>1,892,623</u>	 <u>1,902,977</u>
 Ending Net Position	 \$ <u>1,935,892</u>	 \$ <u>1,892,623</u>

**FUND BALANCES ANALYSIS**

The three major funds of the District are the General Fund, the Rescue Services Fund and the Fire Prevention Fund. The Rescue Services Fund was increased by the rescue revenue and decreased by the acquisition of rescue supplies, rescue equipment and fire suppression equipment. The General Fund was increased by its share of the net income prior to depreciation and decreased by payments for the mortgage on the Summit Station. The Fire Prevention Fund was increased by blueprint and smoke detector inspection revenue and decreased by purchases of fire prevention supplies.

**Western Coventry Fire District  
Management's Discussion and Analysis  
February 29, 2016**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

- Actual expenditures excluding rescue recovery expenditures and before depreciation and interest expense were \$9,294 under the final budget amounts.
- Fire tax revenue increased by \$21,930 from the previous year. The increase was due to the increase in the tax rate from \$1.57 per \$1,000 valuation to \$1.62 per \$1,000. Interest on delinquent taxes decreased by \$4,740 from the previous year.

**CAPITAL ASSETS**

The additions to capital assets were due to the purchase of rescue equipment.

	<u>Balance at Mar. 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at Feb. 29, 2016</u>
Capital assets, not being depreciated.				
Land	\$ 134,400	\$ -	\$ -	\$ 134,400
Total capital assets not being depreciated	134,400	-	-	134,400
Capital assets, being depreciated.				
Buildings and Improvements	2,167,735	-	-	2,167,735
Vehicles and Equipment	1,612,036	25,401	-	1,637,437
Total capital assets being depreciated.	3,779,771	25,401	-	3,805,172
Less accumulated depreciation	1,188,988	145,590	-	1,334,578
Total capital assets being depreciated, net	2,590,783	(120,189)	-	2,470,594
Capital assets, net	\$ 2,725,183	\$ (120,189)	\$ -	\$ 2,604,994

**OUTSTANDING DEBT AT YEAR END**

	<u>2016</u>	<u>2015</u>
Mortgage on Fire Station	\$ 1,172,207	\$ 1,210,812
Rescue Vehicle Capital Lease	-	78,123
	<u>\$ 1,172,207</u>	<u>\$ 1,288,935</u>

**Western Coventry Fire District  
Management's Discussion and Analysis  
February 29, 2016**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The tax rate of the fiscal year 2015 - 2016 was \$1.62 per \$1,000 of valuation.
- Revenues budgeted for fiscal year 2016 - 2017 were \$617,758 with a tax rate of \$1.67 per \$1,000 of valuation (assuming there is no change in this valuation).
- On April 18, 2016 the District voters approved three resolutions to use Rescue Recovery funds for expenditures during the fiscal year ending February 28, 2017. A resolution to purchase rescue supplies, heart monitor annual certification for two heart monitors and Lucas CPR machine annual certification, totaling \$11,451. Further, District voters approved a resolution to purchase gear and equipment for a total of \$16,690. Finally, District voters approved a resolution to utilize up to \$7,500 of Rescue Recovery Funds for the purpose of meeting matching dollar requirements of potential grants to the District.

WESTERN COVENTRY FIRE DISTRICT  
STATEMENT OF NET POSITION  
AND GOVERNMENTAL FUND BALANCE SHEET  
FEBRUARY 29, 2016

	GENERAL FUND	OTHER FUNDS	TOTAL	ADJUSTMENTS (Note A)	STATEMENT OF NET POSITION
<b>ASSETS</b>					
Cash and cash equivalents	\$ 324,356	\$ -	\$ 324,356	-	\$ 324,356
Taxes receivable (net of allowance for uncollectible taxes of \$2,500)	216,867	-	216,867	-	216,867
Prepaid expenses	10,990	-	10,990	-	10,990
Internal receivable	-	256,722	256,722	(256,722)	-
Land	-	-	-	134,400	134,400
Other capital assets, net of accumulated depreciation	-	-	-	2,470,594	2,470,594
<b>Total assets</b>	<b>\$ 552,213</b>	<b>\$ 256,722</b>	<b>\$ 808,935</b>	<b>\$ 2,348,272</b>	<b>\$ 3,157,207</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 9,753	\$ -	\$ 9,753	-	\$ 9,753
Accrued interest payable	3,097	-	3,097	-	3,097
Accrued expenses	17,300	-	17,300	-	17,300
Wages and benefits payable	17,871	-	17,871	-	17,871
Internal payable	256,722	-	256,722	(256,722)	-
Firemen's fund	1,087	-	1,087	-	1,087
Long-term liabilities and leases:					
Due within one year	-	-	-	40,466	40,466
Due after one year	-	-	-	1,131,741	1,131,741
<b>TOTAL LIABILITIES</b>	<b>\$ 305,830</b>	<b>\$ -</b>	<b>\$ 305,830</b>	<b>\$ 915,485</b>	<b>\$ 1,221,315</b>
<b>FUND BALANCES/NET POSITION</b>					
Fund Balances:					
Nonspendable - prepayments	10,990	-	10,990	(10,990)	-
Unassigned	235,393	-	235,393	(235,393)	-
Restricted, reported in:					
Fire prevention fund	-	2,439	2,439	(2,439)	-
Committed, reported in:					
Rescue services fund	-	254,283	254,283	(254,283)	-
Total fund balances	<u>246,383</u>	<u>256,722</u>	<u>503,105</u>	<u>(503,105)</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 552,213</b>	<b>\$ 256,722</b>	<b>\$ 808,935</b>		
Net position:					
Invested in capital assets net of related debt				1,432,787	1,432,787
Unrestricted and restricted				503,105	503,105
Total net position				<u>\$ 1,935,892</u>	<u>\$ 1,935,892</u>

Notes: Amounts in the statement of net position differ because:  
Note A - Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.  
General long-term debt is not reported in the governmental fund balances.

See accompanying notes to financial statements.

**WESTERN COVENTRY FIRE DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
YEAR ENDED FEBRUARY 29, 2016**

	GENERAL FUND	OTHER FUNDS	TOTAL	ADJUSTMENTS (Note B)	STATEMENT OF ACTIVITIES
<b>Expenditures/expenses:</b>					
Fire protection and rescue-operations	\$ 502,499	\$ -	\$ 502,499	\$ 145,590	\$ 648,089
Capital outlay	25,401	-	25,401	(25,401)	-
Debt service:					
Mortgage principal	38,605	-	38,605	(38,605)	-
Mortgage interest	56,729	-	56,729	-	56,729
Rescue lease	78,123	-	78,123	(78,123)	-
Lease interest	590	-	590	-	590
Total expenditures/expenses	<u>701,947</u>	<u>-</u>	<u>701,947</u>	<u>3,461</u>	<u>705,408</u>
<b>Program revenues:</b>					
Blueprint, smoke detector inspections and 911	15	2,175	2,190	-	2,190
Charges for rescue recovery services	-	148,100	148,100	-	148,100
Total program revenues	<u>15</u>	<u>150,275</u>	<u>150,290</u>	<u>-</u>	<u>150,290</u>
Net program expense					<u>555,118</u>
<b>General revenues:</b>					
Fire taxes and interest	589,754	-	589,754	-	589,754
Investment income	1,121	-	1,121	-	1,121
Grants	4,544	-	4,544	-	4,544
Miscellaneous income	2,968	-	2,968	-	2,968
Transfers-internal activities	115,146	(115,146)	-	-	-
Total general revenues and transfers	<u>713,533</u>	<u>(115,146)</u>	<u>598,387</u>	<u>\$ -</u>	<u>598,387</u>
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	<u>11,601</u>	<u>35,129</u>	<u>46,730</u>	<u>(3,461)</u>	<u>43,269</u>
Change in net position					<u>43,269</u>
Fund balance/net position:					
Beginning of the year	128,147	221,593	349,740	1,542,883	1,892,623
End of the year	<u>\$ 139,748</u>	<u>\$ 256,722</u>	<u>\$ 396,470</u>	<u>\$ 1,539,422</u>	<u>\$ 1,935,892</u>

Notes: Amounts in the statement of revenues and expenditures and changes in fund balance differ because:

Note B - Depreciation is added to the expenses.

Capital outlays and loan proceeds and payments are deducted from revenue and expense

Invested in capital assets beginning net of related debt

Invested in capital assets ending net of related debt

145,590

1,436,248

1,432,787

See accompanying notes to financial statements.

**Western Coventry Fire District  
Notes to Financial Statements  
February 29, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Western Coventry Fire District (the District) was incorporated by an act of the Rhode Island General Assembly in January of 1942. The District provides public safety services for fire control and prevention as well as emergency medical treatment.

The accounting policies of the Western Coventry Fire District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles. The following is a summary of the more significant accounting policies.

**A. Basis of Presentation**

The focus of the governmental funds' measurement (in the combined government-wide and fund financial 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 District uses the following funds:

1. The General Fund is the general operating fund of the District. All financial resources except those required to be accounted for in another fund, are accounted for in the General Fund.
2. The Rescue Services Fund represents the cumulative total of net rescue service fees less equipment acquisitions and is designated by action of the District voters to be used to acquire rescue equipment, rescue supplies and fire suppression equipment. The District purchased \$34,299 of rescue supplies and equipment during the year ended February 29, 2016. In addition, \$80,146 was paid from the Rescue Services Fund to cover the third and final installment of a capital equipment lease.
3. The Fire Prevention Fund represents income related to blueprint and smoke detector inspections net of fire prevention expenses.

The activities reported in these funds are reported in the statement of activities and governmental fund revenues, expenditures and changes in fund balances. The net assets of these funds are held in the cash accounts of the general fund and are shown as internal receivables on the statement of net position and governmental fund balance sheet.

**B. Basis of Accounting**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Fire tax revenue is recognized in the year in which levied. Rescue service charges are recorded when received. Expenditures are recorded when the related liability is incurred.

**C. Budget and Budgetary Accounting**

As set forth in the District's By-Laws the voters adopt a budget at the District's annual meeting. The annual budgeted revenues are based on the fiscal year tax assessment, which reflects the rate times the assessed valuation. Rescue recovery revenue is recorded when received. Certain non-operating income and expense items are not considered. This differs from the District's financial statements, which are prepared on the modified accrual method of accounting.

**Western Coventry Fire District  
Notes to Financial Statements  
February 29, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**D. District Taxes**

District taxes attach an enforceable lien on property and, if not paid when due, charge interest at a rate imposed by vote of the District. Currently the interest rate is 1 ½ % per month. Taxes are levied on or about September 1 and are due in quarterly installments. The quarterly installments are due on October 31, January 31, April 30 and July 31. District policy is to recognize fire tax revenue when levied. Unpaid taxes are recorded as taxes receivable at year-end.

An allowance for uncollectible taxes has been established for delinquent taxes which are deemed uncollectible by District management. The write off of delinquent taxes is subject to approval by the Board of Directors. The District is limited by the incorporation act to a tax rate not to exceed \$.80 per \$100 of assessed valuation of real estate and tangible personal property in the District as determined by the last valuation made by the Town of Coventry. The current tax rate is \$1.62 per \$1,000 for real estate and tangibles.

**E. Financial Statement Amounts**

**Cash Equivalents**

Cash equivalents include highly liquid investments with a maturity of three months or less.

**Use of Estimates**

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

**Capital Assets**

Property, plant and equipment acquisitions of \$3,000 or more are capitalized at cost. The District uses the straight-line method at rates based on reasonable estimates of useful lives in computing depreciation.

**Concentration of Credit Risk**

The District collects taxes from property owners substantially all of whom are local residents of Coventry, Rhode Island.

**Investments**

The District maintains a local bank savings account. The District does not have a formal policy regarding limits on allowable deposits and investments. Authorization for opening and closing accounts is subject to approval by the Board of Directors.

**Program Revenue**

The District's program revenue comprises charges for ambulatory and fire inspection services.

**Committed Fund Balance**

The District's voters have established the rescue services fund as a committed fund balance. Expenditures for equipment are generally restricted to the amounts approved by the voters at the District annual meeting. The Board can spend up to an additional 2% of the annual voter approved budget from the Rescue Recovery Fund without taxpayer approval. Any amount exceeding that would need voter approval.

**Western Coventry Fire District  
Notes to Financial Statements  
February 29, 2016**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Restricted Fund Balance**

As required by the State of Rhode Island, the District maintains restricted funds in a fire prevention fund.

**Use of Restricted Resources**

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Districts policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Districts policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

**NOTE 2: CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of February 29, 2016 consist of the following:

	2016
Cash - Checking Account	\$ 6,691
Cash - Tax Collector Account	15,832
Cash - Savings Account	301,804
Petty Cash	30
	\$ 324,357

**NOTE 3: CHANGES IN CAPITAL ASSETS**

Land and other Capital Assets

The additions to capital assets were due to the purchase of rescue equipment.

The following is a summary of the changes in the Land and other Capital Assets account group.

	Mar. 1, 2015	Additions	Deletions	Feb. 29, 2016
Capital assets, not being depreciated.				
Land	\$ 134,400	\$ -	\$ -	\$ 134,400
Total capital assets not being depreciated	134,400	-	-	134,400
Capital assets, being depreciated.				
Buildings and Improv.	2,167,735	-	-	2,167,735
Vehicles and Equip.	1,612,036	25,401	-	1,637,437
Total capital assets being depreciated.	3,779,771	25,401	-	3,805,172
Less accumulated depreciation	1,188,988	145,590	-	1,334,578
Total capital assets being depreciated, net	2,590,783	(120,189)	-	2,470,594
Capital assets, net	\$ 2,725,183	\$ (120,189)	\$ -	\$ 2,604,994

Depreciation expense for the year was \$145,590.



**Western Coventry Fire District  
Notes to Financial Statements  
February 29, 2016**

**NOTE 4: INCOME TAX STATUS**

The Western Coventry Fire District was created and incorporated by an act of the Rhode Island General Assembly in January of 1942, which states that the District is exempt from all taxation. In addition, the District qualifies as a tax-exempt, nonprofit organization under the provisions of Section 501(C)(1) of the Internal Revenue Code. Accordingly, no provision for federal and state income tax is required under present income tax law.

**NOTE 5: MORTGAGE**

On July 9, 2009, the District entered into a loan agreement with Centreville Savings Bank for the construction of a new fire station. The note is a 30 year adjustable rate commercial real estate mortgage on property located at Pole 79, Victory Highway, Coventry, RI. The note bears interest at 4.75% for fifteen years at which time it may be adjusted by adding 2.75% to an index with the increase not to exceed four percentage points for a total of 8.75%. The index is the weekly average yield on United States Treasury securities adjusted to a constant maturity of five years. Commencing November 9, 2009, the District began making monthly payments of \$7,939 on the permanent loan which includes principal and interest. During July of 2010 the District used \$130,000 of the proceeds from the sale of the old Summit Station to reduce the principal balance of the mortgage. As a result, the loan will be paid in full by 2035. Interest expense on the mortgage was \$56,729 for the year ended February 29, 2016.

		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2017	\$	40,466	\$	54,801	\$	95,267
2018		42,431		52,837		95,268
2019		44,491		50,776		95,267
2020		46,651		48,617		95,268
2021		48,916		46,352		95,268
2022-2026		282,590		193,750		476,340
2027-2031		358,179		118,160		476,339
2032-2035		<u>308,483</u>		<u>27,118</u>		<u>335,601</u>
	\$	<u>1,172,207</u>	\$	<u>592,411</u>	\$	<u>1,764,618</u>

**NOTE 6: 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 and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year.

**NOTE 7: CAPITAL EQUIPMENT LEASE**

The District signed an agreement to purchase a new rescue vehicle for \$234,420 in June of 2013. A lease purchase agreement was executed on June 15, 2013 requiring three annual payments of \$80,146.36 on June 15 of 2013, 2014 and 2015. The cost of the rescue vehicle is included in investment in capital assets and is being depreciated using the straight line method over 10 years.

**Western Coventry Fire District  
Notes to Financial Statements  
February 29, 2016**

**NOTE 8: SERVICE AGREEMENT**

On February 22, 2010, the District entered into a service agreement with an unrelated third party to collect rescue recovery revenues on their behalf. The agreement runs for three years and automatically renews for additional three year terms. A 6% service fee is charged on revenues collected. Gross revenues of \$157,552 are shown net of \$9,452 of service fee expense on the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances for the year ending February 29, 2016.

**NOTE 9: COMPENSATED ABSENCES**

The District accrues accumulated unpaid vacation and sick leave and associated employee related costs when earned. These amounts have been recorded as benefits payable on the statement of net position.

**NOTE 10: CONCENTRATIONS**

The District maintains cash balances at a financial institution located in Rhode Island. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The District held \$75,453 in uninsured cash in these accounts as of February 29, 2016.

**NOTE 11: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through July 29, 2016, which is the date the District's financial statements were available for issuance.

**WESTERN COVENTRY FIRE DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
FEBRUARY 29, 2016**

REVENUES	ACTUAL	BUDGET	VARIANCE POSITIVE (NEGATIVE)	OTHER ACTIVITY
Fire taxes	\$ 571,866	\$ 568,961	\$ 2,905	\$ -
Interest on delinquent taxes	17,888	16,000	1,888	-
Interest income	1,121	250	871	-
Brush fire cost re-imbursements	2,962	-	-	-
Smoke detector inspections	-	-	-	1,825
Blueprint inspections	-	-	-	350
Grants	4,544	-	4,544	-
Miscellaneous income	6	150	(144)	-
911 sign program	15	100	(85)	-
Surplus applied	-	12,000	(12,000)	-
Collections for Rescue Recovery Services	-	-	-	148,100
<b>TOTAL REVENUES</b>	<b>\$ 598,402</b>	<b>\$ 597,461</b>	<b>\$ (2,021)</b>	<b>\$ 150,275</b>
<b>EXPENDITURES</b>				
<b>Operating Expenditures</b>				
Salaries and benefits	\$ 341,051	\$ 343,120	\$ 2,069	\$ -
Training and administration	4,466	6,045	1,579	-
Insurance	45,029	41,728	(3,301)	-
Legal and professional	19,840	20,100	260	-
Truck and equipment maintenance	33,002	36,827	3,825	-
Building utilities and maintenance	34,147	41,938	7,791	-
Office supplies	2,846	2,830	(16)	-
Gear and equipment	5,538	2,548	(2,990)	-
Gear and equipment from Rescue Recovery	-	-	-	8,900
Telephone	4,050	3,956	(94)	-
Fire prevention	-	-	-	701
911 sign program	-	100	100	-
Miscellaneous	429	500	71	-
<b>Total Operating Expenses</b>	<b>490,398</b>	<b>499,692</b>	<b>9,294</b>	<b>9,601</b>
<b>Capital Expenditures</b>				
New station mortgage	95,268	95,268	-	-
Fire alarm capital fund	2,500	2,500	-	-
Rescue equipment from Rescue Recovery	-	-	-	25,401
Payment for new rescue from Rescue Recovery	-	-	-	80,146
<b>Total Capital Expenditures</b>	<b>97,768</b>	<b>97,768</b>	<b>-</b>	<b>105,547</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 588,166</b>	<b>\$ 597,460</b>	<b>\$ 9,294</b>	<b>\$ 115,148</b>

See accompanying note to budgetary comparison schedule.

WESTERN COVENTRY FIRE DISTRICT  
 SCHEDULE OF UNCOLLECTED TAXES  
 FEBRUARY 29, 2016

Year	Beginning Balance	Levy	Additions	Abatements and Adjustments	Amount to be Collected	*Current Year Collections	Ending Balance
2015	\$ -	\$ 570,838	-	(272)	\$ 570,566	\$ 364,413	\$ 206,153
2014 Tax Sale Costs	17,582	-	-	(85)	17,497	17,062	435
2014	178,143	-	-	2,714	180,857	169,764	11,093
2013 and prior	24,043	-	-	40	24,083	22,397	1,686
	<u>\$ 219,768</u>	<u>\$ 570,838</u>	<u>\$ -</u>	<u>\$ 2,397</u>	<u>\$ 793,003</u>	<u>\$ 573,636</u>	<u>219,367</u>
					Allowance for uncollectible taxes		<u>(2,500)</u>
					Net taxes receivable	\$	<u>216,867</u>

\* The amounts shown as 2015 and 2014 current year collections include only the first two of four quarterly installments.