

**Western Coventry Fire District**

**Financial Statements**

**February 28, 2018**

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# Dittmar McNeil & Ferolito

Certified Public Accountants, Inc.

*Helping our clients balance  
their business, tax and  
personal financial goals.*

## 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 28, 2018, 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.

### Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 28, 2018, 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 - 8 and 16 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 May 31, 2018, 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 12, 2018



**INDEPENDENT AUDITORS' 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 28, 2018, 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 12, 2018.

**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*.

**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 12, 2018

**Western Coventry Fire District  
Management's Discussion and Analysis  
February 28, 2018**

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 28, 2018.

**FINANCIAL HIGHLIGHTS**

- The assets of the Western Coventry Fire District exceeded its liabilities at the close of the most recent fiscal year by \$1,928,955 (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 \$289,874 the non-spendable prepayments fund balance totaled \$4,077. The committed balance for the apparatus capital reserve fund was \$382,092. The restricted fund balance for the fire prevention fund was \$4,165.
- The District had revenues of \$759,844 and total operating expenses of \$763,104 for a decrease in net position of \$3,260.
- Actual expenditures were below the budgeted amounts.
- Collections of charges for rescue recovery services were slightly above the prior year. The current year collections were in line with the historic average for this account.

**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 28, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT**

**Net Position**

Approximately 65% 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.

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets	\$ 748,914	\$ 635,266
Capital Assets	<u>2,338,216</u>	<u>2,473,475</u>
Total Assets	<u>\$ 3,087,130</u>	<u>\$ 3,108,741</u>
Liabilities		
Current Liabilities	\$ 113,197	\$ 87,069
Long-term Liabilities	<u>1,044,978</u>	<u>1,089,457</u>
Total Liabilities	<u>1,158,175</u>	<u>1,176,526</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	1,248,747	1,341,587
Apparatus Capital Reserve Fund	382,092	342,092
Fire Prevention Fund	4,165	2,426
Nonspendable - Prepayments	4,077	11,459
General Fund	<u>289,874</u>	<u>234,651</u>
Total Net Position	<u>1,928,955</u>	<u>1,932,215</u>
Total Liabilities and Net Position	<u>\$ 3,087,130</u>	<u>\$ 3,108,741</u>

**Changes in Net Position**

The District's total revenues were \$759,844. For the fiscal year ended February 28, 2018, 83% of the District's revenue was from taxes and interest on delinquent taxes, 16% came from rescue recovery, and 1% came from miscellaneous sources.



**Western Coventry Fire District  
Management's Discussion and Analysis  
February 28, 2018**

**Changes in Net Position – Continued**

Changes in Net Position

	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 120,141	\$ 118,033
General revenues:		
Fire taxes	612,350	589,746
Interest on delinquent taxes	21,547	15,913
Investment income	1,900	1,749
Grants	2,850	2,000
Miscellaneous income	<u>1,056</u>	<u>1,050</u>
<b>Total Revenues</b>	<b>\$ <u>759,844</u></b>	<b>\$ <u>728,491</u></b>
Expenses:		
Salaries and benefits	\$ 374,254	\$ 336,310
Training and administration	10,116	7,486
Insurance	43,040	45,739
Legal and professional	19,243	19,756
Truck and equipment maintenance	48,382	53,421
Building and facility maintenance	33,733	34,207
Rescue supplies and equipment	9,936	23,545
Rescue equipment contracts	2,757	-
Office supplies	8,753	5,736
Gear and equipment	17,614	6,295
Telephone	4,217	3,956
Depreciation	135,260	135,979
Interest expense	52,564	54,650
Fire alarm capital fund	2,500	2,500
Fire prevention	181	2,173
911 sign program	229	51
Miscellaneous	<u>325</u>	<u>364</u>
<b>Total Expenses</b>	<b><u>763,104</u></b>	<b><u>732,168</u></b>
<b>Increase (Decrease) in Net Position</b>	<b>(3,260)</b>	<b>(3,677)</b>
<b>Beginning Net Position</b>	<b><u>1,932,215</u></b>	<b><u>1,935,892</u></b>
<b>Ending Net Position</b>	<b><u>\$ 1,928,955</u></b>	<b><u>\$ 1,932,215</u></b>

**FUND BALANCES ANALYSIS**

The three major funds of the District are the General Fund, the Apparatus Capital Reserve Fund and the Fire Prevention Fund. The Apparatus Capital Reserve Fund was increased by the voter approved appropriation of \$40,000 from the General Fund. 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 and the funds transferred to the Apparatus Capital Reserve Fund. 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 28, 2018**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

- Actual expenditures excluding rescue recovery expenditures and before depreciation and interest expense were \$45,954 under the final budget amounts.
- Fire tax revenue increased by \$22,604 from the previous year. Interest on delinquent taxes increased by \$5,634 from the previous year.

**CAPITAL ASSETS**

There were no additions to capital assets during the fiscal year ended February 28, 2018.

	Balance at Mar. 1, 2017	Additions	Deletions	Balance at Feb. 28, 2018
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	1,641,898	-	-	1,641,898
Total capital assets being depreciated.	3,809,633	-	-	3,809,633
Less accumulated depreciation	1,470,557	135,260	-	1,605,817
Total capital assets being depreciated, net	2,339,076	(135,260)	-	2,203,816
Capital assets, net	\$ 2,473,476	\$ (135,260)	\$ -	\$ 2,338,216

**OUTSTANDING DEBT AT YEAR END**

	2018	2017
Mortgage on Fire Station	\$ 1,089,469	\$ 1,131,888

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

- The tax rate of the fiscal year 2017 - 2018 was \$1.62 per \$1,000 of valuation.
- The approved operating budget for fiscal year 2018 - 2019 is \$809,855 with a fire tax rate of \$1.69 per \$1,000 of valuation (assuming there is no change in this valuation). The fiscal 2018 - 2019 budget includes \$120,000 in revenue from rescue recovery services.

WESTERN COVENTRY FIRE DISTRICT  
STATEMENT OF NET POSITION  
AND GOVERNMENTAL FUND BALANCE SHEET  
FEBRUARY 28, 2018

	GENERAL FUND	OTHER FUNDS	TOTAL	ADJUSTMENTS (Note A)	STATEMENT OF NET POSITION
<b>ASSETS</b>					
Cash and cash equivalents	\$ 501,016	\$ -	\$ 501,016	\$ -	\$ 501,016
Accounts receivable	513	-	513	-	513
Taxes receivable (net of allowance for uncollectible taxes of \$2,500)	243,308	-	243,308	-	243,308
Prepaid expenses	4,077	-	4,077	-	4,077
Internal receivable	-	386,257	386,257	(386,257)	-
Land	-	-	-	134,400	134,400
Other capital assets, net of accumulated depreciation	-	-	-	2,203,816	2,203,816
<b>TOTAL ASSETS</b>	<b>\$ 748,914</b>	<b>\$ 386,257</b>	<b>\$ 1,135,171</b>	<b>\$ 1,951,959</b>	<b>\$ 3,087,130</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 31,395	\$ -	\$ 31,395	\$ -	\$ 31,395
Accrued interest payable	2,514	-	2,514	-	2,514
Accrued expenses	14,548	-	14,548	-	14,548
Wages and benefits payable	19,717	-	19,717	-	19,717
Internal payable	386,257	-	386,257	(386,257)	-
Firemen's fund	532	-	532	-	532
Long-term liabilities and leases: Due within one year	-	-	-	44,491	44,491
Due after one year	-	-	-	1,044,978	1,044,978
<b>TOTAL LIABILITIES</b>	<b>454,963</b>	<b>-</b>	<b>454,963</b>	<b>703,212</b>	<b>1,158,175</b>
<b>FUND BALANCES/NET POSITION</b>					
Fund Balances:					
Nonspendable - prepayments	4,077	-	4,077	(4,077)	-
Unassigned	289,874	-	289,874	(289,874)	-
Restricted, reported in:					
Fire prevention fund	-	4,165	4,165	(4,165)	-
Apparatus Capital Reserve fund	-	382,092	382,092	(382,092)	-
<b>Total fund balances</b>	<b>293,951</b>	<b>386,257</b>	<b>680,208</b>	<b>(680,208)</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 748,914</b>	<b>\$ 386,257</b>	<b>\$ 1,135,171</b>		
Net position:					
Invested in capital assets net of related debt				1,248,747	1,248,747
Unrestricted and restricted				680,208	680,208
<b>Total net position</b>				<b>\$ 1,928,955</b>	<b>\$ 1,928,955</b>

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 28, 2018

	GENERAL FUND	OTHER FUNDS	TOTAL	ADJUSTMENTS (Note B)	STATEMENT OF ACTIVITIES
<b>Expenditures/expenses:</b>					
Fire protection and rescue-operations	\$ 575,280	\$ -	\$ 575,280	\$ 135,260	\$ 710,540
Capital outlay	-	-	-	-	-
Debt service:					
Mortgage principal	42,420	-	42,420	(42,420)	-
Mortgage interest	52,564	-	52,564	-	52,564
Total expenditures/expenses	670,264	-	670,264	92,840	763,104
<b>Program revenues:</b>					
Blueprint, smoke detector inspections and 911	30	1,920	1,950	-	1,950
Charges for rescue recovery services	118,191	-	118,191	-	118,191
Total program revenues	118,221	1,920	120,141	-	120,141
<b>Net program expense</b>					642,963
<b>General revenues:</b>					
Fire taxes and interest	633,897	-	633,897	-	633,897
Investment income	1,900	-	1,900	-	1,900
Grants	2,850	-	2,850	-	2,850
Miscellaneous income	1,056	-	1,056	-	1,056
Transfers-internal activities	(39,819)	39,819	-	-	-
Total general revenues and transfers	599,884	39,819	639,703	-	639,703
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	47,841	41,739	89,580	(92,840)	(3,260)
Change in net position	47,841	41,739	89,580	(92,840)	(3,260)
<b>Fund balance/net position:</b>					
Beginning of the year	246,110	344,518	590,628	1,341,587	1,932,215
End of the year	\$ 293,951	\$ 386,257	\$ 680,208	\$ 1,248,747	\$ 1,928,955

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

135,260

1,341,587

1,248,747

See accompanying notes to financial statements.

**Western Coventry Fire District**  
**Notes to Financial Statements**  
**February 28, 2018**

**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. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The effect of material inter-fund activity (except for activities reported in internal service funds) has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental 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 Apparatus Capital Equipment Fund is for the acquisition and outfitting of fire and rescue apparatus. Expenditures from this fund totaling more than \$10,000 during any given fiscal year shall be approved by District voters.
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.

**Western Coventry Fire District  
Notes to Financial Statements  
February 28, 2018**

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

**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.

**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.

**Western Coventry Fire District  
Notes to Financial Statements  
February 28, 2018**

**NOTE 1; SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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 Apparatus Capital Equipment Fund as a committed fund balance. Expenditures for capital equipment are generally restricted to the amounts approved by the voters at the District annual meeting. Total expenditures and or commitments of the Apparatus Capital Equipment Fund greater than \$10,000 during any given fiscal year shall be approved by the District qualified voters.

**Restricted Fund Balance**

As required by the State of Rhode Island, the District's revenue from smoke detector and blue print inspections is maintained in a restricted fund labeled 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 28, 2018 consist of the following:

Cash - Tax Collector Account	\$	5,729
Cash - Savings Account		115,346
Cash - Insured Cash Sweep Account		351,607
Petty Cash		<u>30</u>
	\$	<u>501,016</u>

**Western Coventry Fire District  
Notes to Financial Statements  
February 28, 2018**

**NOTE 3: CHANGES IN CAPITAL ASSETS**

Land and other Capital Assets

There were no additions to capital assets during the fiscal year ended February 28, 2018.

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

	Balance at Mar. 1, 2017	<u>Additions</u>	<u>Deletions</u>	Balance at Feb. 28, 2018
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.	1,641,898	-	-	1,641,898
Total capital assets being depreciated.	3,809,633	-	-	3,809,633
Less accumulated depreciation	1,470,557	135,260	-	1,605,817
Total capital assets being depreciated, net	2,339,076	(135,260)	-	2,203,816
Capital assets, net	\$ 2,473,476	\$ (135,260)	\$ -	\$ 2,338,216

Depreciation expense for the year was \$135,260.

**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: COMPENSATED ABSENCES**

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

**NOTE 6: CONCENTRATIONS**

The District maintains cash balances at a financial institution located in Rhode Island. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. All District cash balances were insured as of February 28, 2018. The District uses an Insured Cash Sweep (ICS) service which maintains cash balances among various FDIC-Insured Institutions.



**Western Coventry Fire Department  
Notes to Financial Statements  
February 28, 2018**

**NOTE 7: 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 \$52,564 for the year ended February 28, 2018. Principal payments were \$42,420 for the year.

		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2019	\$	44,491	\$	50,776	\$	95,267
2020		46,651		48,617		95,268
2021		48,916		46,352		95,268
2022		51,291		43,977		95,268
2023		53,781		41,487		95,268
2024-2028		310,696		165,643		476,339
2029-2033		394,068		82,538		476,606
2034-2035		139,575		14,252		153,827
	\$	<u>1,089,469</u>	\$	<u>493,642</u>	\$	<u>1,583,111</u>

**NOTE 8: 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 9: 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. Rescue recovery revenues of \$118,191 are shown net of \$7,544 of service fee expense on the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances for the year ending February 28, 2018.

**NOTE 10: LITIGATION**

At present there is pending litigation against the District claiming civil rights/job discrimination regarding a former employee. The District's insurer has engaged a Rhode Island law firm to handle the case. The District does not expect to have a loss in this matter and no loss has been accrued.

**NOTE 11: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of the independent auditor's report, which is the date the District's financial statements were available for issuance.

WESTERN COVENTRY FIRE DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
FEBRUARY 28, 2018

REVENUES	ACTUAL	BUDGET	VARIANCE POSITIVE (NEGATIVE)	OTHER ACTIVITY
Fire taxes	\$ 612,350	\$ 613,370	\$ (1,020)	\$ -
Interest on delinquent taxes	21,547	16,500	5,047	-
Interest income	1,900	1,700	200	-
Smoke detector inspections	-	-	-	1,620
Blueprint inspections	-	-	-	300
Grants	2,850	-	2,850	-
Miscellaneous income	1,056	150	906	-
911 sign program	30	100	(70)	-
Charges for Rescue Recovery Services	118,191	110,000	8,191	-
Surplus applied	-	14,500	(14,500)	-
<b>TOTAL REVENUES</b>	<b>\$ 757,924</b>	<b>\$ 756,320</b>	<b>\$ 1,604</b>	<b>\$ 1,920</b>
<b>EXPENDITURES</b>				
<b>Operating Expenditures</b>				
Salaries and benefits	\$ 374,254	\$ 426,332	\$ 52,078	\$ -
Training and administration	10,116	12,234	2,118	-
Insurance	43,040	47,030	3,990	-
Legal and professional	19,243	20,034	791	-
Truck and equipment maintenance	48,382	40,962	(7,420)	-
Building utilities and maintenance	33,733	34,028	295	-
Office supplies	8,753	5,003	(3,750)	-
Rescue supplies	9,936	7,000	(2,936)	-
Rescue equipment contracts	2,757	3,350	-	-
Gear and equipment	17,614	10,358	(7,256)	-
Fire prevention	-	-	-	181
Telephone	4,217	4,122	(95)	-
911 sign program	229	100	(129)	-
Miscellaneous	325	500	175	-
<b>Total Operating Expenses</b>	<b>572,599</b>	<b>611,053</b>	<b>38,454</b>	<b>181</b>
<b>Capital Expenditures</b>				
New station mortgage	95,268	95,268	-	-
Apparatus capital fund	40,000	40,000	-	-
Matching grant fund	-	7,500	7,500	-
Fire alarm capital fund	2,500	2,500	-	-
<b>Total Capital Expenditures</b>	<b>137,768</b>	<b>145,268</b>	<b>7,500</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 710,367</b>	<b>\$ 756,321</b>	<b>\$ 45,954</b>	<b>\$ 181</b>

See accompanying note to budgetary comparison schedule.

WESTERN COVENTRY FIRE DISTRICT  
 SCHEDULE OF UNCOLLECTED TAXES  
 FEBRUARY 28, 2018

Year	Beginning Balance	Levy	Additions	Abatements and Adjustments	Amount to be Collected	Current Year Collections	Ending Balance
2017	\$ -	\$ 614,396	257	(2,455)	\$ 612,198	\$ 388,958	\$ 223,240
2016	208,799	-	-	-	208,799	189,449	19,350
2015 and prior	33,552	-	-	-	33,552	30,334	3,218
	<u>\$ 242,351</u>	<u>\$ 614,396</u>	<u>257</u>	<u>(2,455)</u>	<u>\$ 854,549</u>	<u>\$ 608,741</u>	<u>245,808</u>
					Allowance for uncollectible taxes		(2,500)
					Net taxes receivable	\$	<u>243,308</u>

Note that the 3rd and 4th quarter tax payments for the 2016 tax assessment are due on April 30 2018 and July 31 2018