

TURNERS FALLS FIRE DISTRICT

Annual Financial Statements

For the Year Ended June 30, 2018

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Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the Prudential Committee
Turners Falls Fire District
Turners Falls, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Turners Falls Fire District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The District's 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 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 Turners Falls Fire District, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund 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 Management's Discussion and Analysis, and the Pension and OPEB Schedules appearing on pages 43 to 46 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 evidence sufficient 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 December 12, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Melanson Heath

December 12, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Turners Falls Fire District, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/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 is improving or deteriorating.

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 governmental activities include general government, public safety, and water.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$3,992,588 (i.e., net position), a change of \$299,615 in comparison to the restated prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$1,927,042, a change of \$308,702 in comparison to the restated prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,164,326, a change of \$191,885 in comparison with the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>NET POSITION</u>	
		<u>Governmental Activities</u>
	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 2,129,345	\$ 1,836,681
Capital assets	<u>6,282,797</u>	<u>6,586,708</u>
Total Assets	8,412,142	8,423,389
Deferred outflows of resources	<u>701,156</u>	<u>479,896</u>
Total Assets and Deferred Outflows of Resources	9,113,298	8,903,285
Non-current liabilities	4,566,727	3,884,898
Other liabilities	<u>197,942</u>	<u>232,132</u>
Total Liabilities	4,764,669	4,117,030
Deferred inflows of resources	<u>356,041</u>	<u>115,312</u>
Total Liabilities and Deferred Inflows of Resources	5,120,710	4,232,342
Net position:		
Invested in capital assets, net	5,088,936	5,212,262
Restricted	709,307	645,649
Unrestricted	<u>(1,805,655)</u>	<u>(1,186,968)</u>
Total Net Position	<u>\$ 3,992,588</u>	<u>\$ 4,670,943</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$3,992,588, a change of \$299,615 in comparison with the restated prior year.

The largest portion of net position \$5,088,936 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$709,307 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position was a deficit of \$(1,805,655).

CHANGES IN NET POSITION

	<u>2018</u>	<u>2017</u>
	<u>Governmental Activities</u>	
Revenues:		
Program revenues:		
Charges for services	\$ 752,495	\$ 679,104
Operating grants and contributions	52,904	33,142
General revenues:		
Property taxes	2,333,967	2,262,453
Penalties and interest on taxes	13,624	16,373
Investment income	5,810	4,237
Other	16,749	-
Total Revenues	3,175,549	2,995,309
Expenses:		
General government	254,251	278,429
Public safety	1,617,571	1,740,245
Public works	766,936	719,920
Interest on long-term debt	36,758	36,468
Unallocated depreciation	200,418	200,418
Total Expenses	2,875,934	2,975,480
Change in net position	299,615	19,829
Net position - beginning of year (as restated)	3,692,973	4,651,114
Net position - end of year	\$ 3,992,588	\$ 4,670,943

Fiscal year 2017 amounts reported above were not restated as the District applied GASB 75 prospectively.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$299,615. Key elements of this change are as follows:

- General fund operations, as discussed further in section D \$231,618.
- Water fund revenues over expenditures \$36,609.
- Special revenue fund revenues over expenditures \$40,475.
- Debt principal maturities in excess of depreciation of \$(136,752).

- Current year change in net pension liability, net of deferred inflows and outflows of \$(41,574).
- Current year change in other post-employment benefits liability \$153,162.
- Other GAAP accruals \$16,077.

D. FINANCIAL ANALYSIS OF FUNDS

As noted earlier, fund accounting is used 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. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$1,927,042, a change of \$308,702 in comparison with the restated prior year. Key elements of this change are as follows:

General fund revenues in excess of expenditures	\$ 231,618
Water fund revenue in excess of expenditures	36,609
Special revenue fund revenues in excess of expenditures	<u>40,475</u>
Total	<u>\$ 308,702</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,164,326, while total fund balance was \$1,217,735. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% of Total 2018 General Fund Expenditures</u>
General fund - unassigned	\$ 1,010,862	\$ 870,905	\$ 139,957	48%
Stabilization fund	<u>153,464</u>	<u>101,536</u>	<u>51,928</u>	<u>7%</u>
Total unassigned	<u>\$ 1,164,326</u>	<u>\$ 972,441</u>	<u>\$ 191,885</u>	55%
Total fund balance	\$ 1,217,735	\$ 986,117	\$ 231,618	58%

The total fund balance of the general fund changed by \$231,618 during the current fiscal year. Key factors in this change are as follows:

Non property tax revenues over budget	\$ 6,203
Excess (shortfall) of property tax collections	140,764
Expenditures less than budget	142,727
Use of fund balance as a funding source	(149,000)
Expenditures in the current year, funded by a previous year budget	(13,676)
Current year expenditure carryforwards to be expended in a subsequent year	53,409
Stabilization fund income	51,928
Other GAAP accruals	<u>(737)</u>
Total	<u>\$ 231,618</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences between the original budget and the final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to \$6,282,797 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year include the following:

- Disposal of a fully depreciated vehicle purchased for \$16,650.
- Depreciation expense of \$(303,911).

Additional information on capital assets can be found in the footnotes to the financial statements.

Long-term debt. At the end of the current fiscal year, total long-term debt outstanding was \$1,193,861, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the footnotes to the financial statements.

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:

Ms. Eileen Tela, District Accountant
Turners Falls Fire District
226 Millers Falls Road
Turners Falls, MA 01376

TURNERS FALLS FIRE DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 1,909,243
Receivables, net of allowance for uncollectibles:	
Property taxes	84,056
User fees	11,772
Departmental	18,179
Intergovernmental	40,000
Noncurrent:	
Receivables, net of allowance for uncollectable:	
Property taxes	66,095
Land	613,161
Capital assets, net of accumulated depreciation	5,669,636
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	<u>701,156</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	9,113,298
LIABILITIES	
Current:	
Warrants payable	19,778
Accrued payroll and withholdings	61,342
Accrued interest payable	9,224
Other current liabilities	11,010
Current portion of long-term liabilities:	
Loans payable	51,588
Note payable	45,000
Noncurrent:	
Loans payable, net of current portion	782,273
Notes payable, net of current portion	315,000
Net pension liability	1,400,544
Net OPEB liability	1,889,750
Compensated absences	179,160
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	<u>356,041</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,120,710
NET POSITION	
Invested in capital assets, net of related debt	5,088,936
Restricted for:	
Grants and other statutory restrictions	709,307
Unrestricted	<u>(1,805,655)</u>
TOTAL NET POSITION	<u>\$ 3,992,588</u>

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

TURNERS FALLS FIRE DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	<u>General</u>	<u>Water</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 1,269,155	\$ 592,141	\$ 47,947	\$ 1,909,243
Receivables:				
Property taxes	97,936	-	-	97,936
Tax liens and foreclosures	76,336	24,900	-	101,236
User fees, net of allowance for uncollectibles	-	11,772	-	11,772
Departmental	2,971	-	15,208	18,179
Intergovernmental	-	-	40,000	40,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>1,446,398</u>	\$ <u>628,813</u>	\$ <u>103,155</u>	\$ <u>2,178,366</u>
LIABILITIES				
Warrants payable	\$ 17,188	\$ 2,590	\$ -	\$ 19,778
Accrued payroll and withholdings	49,021	12,321	-	61,342
Other liabilities	3,260	6,013	1,737	11,010
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	69,469	20,924	1,737	92,130
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	159,194	-	-	159,194
FUND BALANCES				
Reserved for:				
Restricted	-	218,366	18,199	236,565
Committed	53,409	389,523	83,219	526,151
Unassigned	1,164,326	-	-	1,164,326
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	1,217,735	607,889	101,418	1,927,042
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>1,446,398</u>	\$ <u>628,813</u>	\$ <u>103,155</u>	\$ <u>2,178,366</u>

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

TURNERS FALLS FIRE DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2018

Total Governmental Fund Balances	\$ 1,927,042
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,282,797
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection and are net of an allowance for uncollectible.	110,173
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(9,224)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore are not reported in the governmental funds.	<u>(4,318,200)</u>
Net Position of Governmental Activities	<u><u>\$ 3,992,588</u></u>

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

TURNERS FALLS FIRE DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Water</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 2,324,697	\$ -	\$ -	\$ 2,324,697
Penalties, interest and other taxes	13,624	-	-	13,624
Charges for services	13,074	655,025	84,396	752,495
Intergovernmental	-	-	52,904	52,904
Investment income	5,810	-	-	5,810
Miscellaneous	<u>3,323</u>	<u>-</u>	<u>-</u>	<u>3,323</u>
Total Revenues	2,360,528	655,025	137,300	3,152,853
Expenditures:				
Current:				
General government	219,831	-	-	219,831
Public safety	1,132,650	-	52,725	1,185,375
Public works	-	593,416	44,100	637,516
Employee benefits	596,519	-	-	596,519
Debt service	<u>154,910</u>	<u>50,000</u>	<u>-</u>	<u>204,910</u>
Total Expenditures	<u>2,103,910</u>	<u>643,416</u>	<u>96,825</u>	<u>2,844,151</u>
Excess (deficiency) of revenues over expenditures	256,618	11,609	40,475	308,702
Other Financing Sources (Uses):				
Transfer in	-	25,000	-	25,000
Transfer (out)	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Change in fund balance	231,618	36,609	40,475	308,702
Fund Balance, at Beginning of Year, as restated	<u>986,117</u>	<u>571,280</u>	<u>60,943</u>	<u>1,618,340</u>
Fund Balance, at End of Year	<u>\$ 1,217,735</u>	<u>\$ 607,889</u>	<u>\$ 101,418</u>	<u>\$ 1,927,042</u>

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

TURNERS FALLS 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, 2018

Net Changes in Fund Balances - Total Governmental Funds	\$ 308,702
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Depreciation	(303,911)
<ul style="list-style-type: none"> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for property tax receivables differ between the two statements. This amount represents the net change in deferred revenue, net of allowance for uncollectibles. 	
	9,270
<ul style="list-style-type: none"> • The issuance of long-term debt (e.g., bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: 	
Repayments of debt	167,159
<ul style="list-style-type: none"> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	
	993
<ul style="list-style-type: none"> • Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: 	
Net pension liability and related deferred outflows and inflows of resources	(41,574)
Net OPEB liability and related deferred outflows and inflows of resources	153,162
Other	5,814
	9,270
Change in Net Position of Governmental Activities	\$ <u>299,615</u>

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

TURNERS FALLS FIRE DISTRICT

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Transfers In:				
Taxes	\$ 2,183,933	\$ 2,183,933	\$ 2,183,933	\$ -
Penalties, interest and other taxes	12,000	12,000	13,624	1,624
Charges for services	13,700	13,700	13,074	(626)
Investment income	2,000	2,000	3,882	1,882
Miscellaneous	-	-	3,323	3,323
Total Revenues	2,211,633	2,211,633	2,217,836	6,203
Expenditures and Transfers Out:				
General government	240,153	240,153	218,591	21,562
Public safety	1,231,012	1,231,012	1,172,886	58,126
Debt service	167,000	167,000	154,910	12,090
Employee benefits	617,468	617,468	596,519	20,949
Transfers out	105,000	105,000	75,000	30,000
Total Expenditures and Transfers Out	2,360,633	2,360,633	2,217,906	142,727
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	(149,000)	(149,000)	(70)	148,930
Other Financing Sources/Uses:				
Use of free cash:				
Operating budget	149,000	149,000	-	(149,000)
Total Other Financing Sources/Uses	149,000	149,000	-	(149,000)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (70)	\$ (70)

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

TURNERS FALLS FIRE DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	Other Post- Employment Benefits <u>Trust Fund</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>70,307</u>
Total Assets	<u>70,307</u>
 <u>NET POSITION</u>	
Total Net Position restricted for other purposes	\$ <u><u>70,307</u></u>

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

TURNERS FALLS FIRE DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

	Other Post- Employment Benefits <u>Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ <u>116,099</u>
Total contributions	116,099
Investment income	<u>121</u>
Total additions	116,220
Deductions:	
Benefit payments to plan members and beneficiaries	<u>86,099</u>
Total deductions	<u>86,099</u>
Net increase	30,121
Net position:	
Beginning of year	<u>40,186</u>
End of year	<u><u>\$ 70,307</u></u>

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

TURNERS FALLS FIRE DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Turners Falls Fire District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2018, it was determined that no entities met the required GASB-39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes, fees and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 contributions 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*.

Fund Financial Statements

Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *water fund* is used to account for all water revenues and related expenses, except for debt service and employee benefits, which are accounted for in the general fund.

- The *special revenue fund* is used to account for the District's ambulance fund and state grant activity.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The government reports the following fiduciary fund:

- The *other post-employment benefits trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type is included under investment income.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with initial individual costs as detailed below and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	Initial Cost <u>Over</u>
Buildings	40	\$ 100,000
Building improvements	20	\$ 50,000
Water infrastructure	50	\$ 150,000
Vehicles and equipment	5	\$ 5,000

F. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

H. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The District reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the District uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition,

construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All remaining net position is reported as unrestricted.

I. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. **Stewardship, Compliance and Accountability**

A. Budgetary Information

At the annual District meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by District meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special District meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the reserve fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the total departmental budget as voted. Certain items may exceed the departmental budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The General Fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 2,360,528	\$ 2,103,910
Other financing sources/uses (GAAP basis)	<u>-</u>	<u>25,000</u>
Subtotal (GAAP basis)	2,360,528	2,128,910
Remove the effect of adding the District's Stabilization fund per GASB 54	(1,928)	50,000
Adjust tax revenue to accrual basis	(140,764)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(13,676)
Add end of year appropriation carryforwards to expenditures	-	53,409
Reverse GAAP adjustments	<u>-</u>	<u>(737)</u>
Budgetary basis	<u>\$ 2,217,836</u>	<u>\$ 2,217,906</u>

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Massachusetts General Laws Chapter 44, Section 55 limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The District does not have a deposit policy for custodial credit risk.

As of June 30, 2018, none of the District's bank balance of \$2,003,591 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by pledging bank's trust department not in the District's name.

4. Property Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Town of Montague's Board of Assessors for 100% of the estimated fair market value. Taxes are due on a semiannual basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

The day after the final tax bill is due, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Property taxes receivable at June 30, 2018 consists of the following:

	Gross Amount <u>(fund basis)</u>	Allowance for Doubtful <u>Accounts</u>	Net <u>Amount</u>
Real estate taxes	\$ 86,434	\$ (4,257)	\$ 82,177
Personal property taxes	11,502	(9,623)	1,879
Tax liens	61,487	(7,317)	54,170
Foreclosures	<u>39,749</u>	<u>(27,824)</u>	<u>11,925</u>
Total property taxes	<u>\$ 199,172</u>	<u>\$ (49,021)</u>	<u>\$ 150,151</u>

5. User Fee Receivables

Receivables for user charges at June 30, 2018 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water	\$ 56,072	\$ (44,300)	\$ 11,772
Total	<u>\$ 56,072</u>	<u>\$ (44,300)</u>	<u>\$ 11,772</u>

6. Intergovernmental Receivables

This balance represents reimbursements requested from State agencies for expenditures incurred in fiscal 2018.

7. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 823,160	\$ -	\$ -	\$ 823,160
Machinery, equipment, and furnishings	1,696,486	-	(16,650)	1,679,836
Infrastructure	9,510,817	-	-	9,510,817
Total capital assets, being depreciated	12,030,463	-	(16,650)	12,013,813
Less accumulated depreciation for:				
Buildings and improvements	(649,058)	(12,818)	-	(661,876)
Machinery, equipment, and furnishings	(1,136,645)	(103,493)	16,650	(1,223,488)
Infrastructure	(4,271,213)	(187,600)	-	(4,458,813)
Total accumulated depreciation	(6,056,916)	(303,911)	16,650	(6,344,177)
Total capital assets, being depreciated, net	5,973,547	(303,911)	-	5,669,636
Capital assets, not being depreciated:				
Land	613,161	-	-	613,161
Total capital assets, not being depreciated	613,161	-	-	613,161
Governmental activities capital assets, net	<u>\$ 6,586,708</u>	<u>\$ (303,911)</u>	<u>\$ -</u>	<u>\$ 6,282,797</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities:	
Public safety	\$ 70,562
Public works	32,931
Unallocated	<u>200,418</u>
Total depreciation expense - governmental activities	<u>\$ 303,911</u>

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the District that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions in accordance with GASB Statement No. 68 are more formally discussed in the pension note.

9. Warrants Payable

Warrants payable represent 2018 expenditures paid by July 15, 2018 as permitted by law.

10. Long-Term Debt

A. General Obligation Debt

The District issues USDA Rural Development Administration (RDA) and other loans and long-term notes to provide funds for the acquisition and construction of major capital facilities and equipment. RDA loans have been issued for general and water fund activities. Payment is not limited to a particular revenue source. General obligation debt and long-term notes payable currently outstanding is as follows:

<u>Loans Payable:</u>	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>June 30, 2018</u>
Millers Falls main (RDA loan)	10/15/2029	3.25%	\$ 118,126
New well construction (MCWT DWP-13-17)	7/15/2036	2.00%	<u>715,735</u>
Total Loans Payable			833,861
<u>Long Term Notes Payable:</u>			
Water projects (refunding)	7/20/2025	3.01%	<u>360,000</u>
Total Long Term Note Payable			<u>360,000</u>
Total Long Term Debt			<u>\$ 1,193,861</u>

B. Future Debt Service

The annual payments to retire all long-term debt outstanding as of June 30, 2018 are as follows:

	<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	96,588	\$ 32,873	\$ 129,461
2020		97,910	30,246	128,156
2021		99,266	27,585	126,851
2022		100,660	24,888	125,548
2023		102,091	22,157	124,248
2024 - 2028		344,905	56,565	401,470
2029 - 2033		213,124	24,771	237,895
Thereafter		139,317	4,219	143,536
Total	\$	<u>1,193,861</u>	\$ <u>223,304</u>	\$ <u>1,417,165</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Total Balance July 1, 2017 (restated)	Additions	Reductions	Total Balance June 30, 2018	Less Current Portion	Long-Term Portion June 30, 2018
<u>Governmental Activities</u>						
Loans payable	\$ 947,446	\$ -	\$ (113,585)	\$ 833,861	\$ (51,588)	\$ 782,273
Notes payable	427,000	-	(67,000)	360,000	(45,000)	315,000
Subtotal	1,374,446	-	(180,585)	1,193,861	(96,588)	1,097,273
Net pension liability	1,378,439	22,105	-	1,400,544	-	1,400,544
Net OPEB liability	2,042,912	-	(153,162)	1,889,750	-	1,889,750
Subtotal	4,795,797	22,105	(333,747)	4,484,155	(96,588)	4,387,567
Other:						
Compensated absences	171,548	7,612	-	179,160	-	179,160
Subtotal Other	171,548	7,612	-	179,160	-	179,160
Totals	\$ <u>4,967,345</u>	\$ <u>29,717</u>	\$ <u>(333,747)</u>	\$ <u>4,663,315</u>	\$ <u>(96,588)</u>	\$ <u>4,566,727</u>

11. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the District that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension will be recognized as expense in future years and is more fully described in the corresponding pension note. Unavailable

revenues are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

12. **Governmental Funds – Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The District implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2018:

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes the District's special revenue funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority (District Meeting). This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at District Meeting resolution and the District's ambulance fund.

Assigned - Represents amounts that are constrained by the District's intent to use these resources for a specific purpose. The District had no funds that met this criteria in fiscal year 2018.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the District's fund balances at June 30, 2018:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Restricted				
Water fund	\$ -	\$ 218,366	\$ -	\$ 218,366
Special revenue funds	-	-	18,199	18,199
Total Restricted	-	218,366	18,199	236,565
Committed				
Ambulance fund	-	-	83,219	83,219
Special articles	53,409	389,523	-	442,932
Total Committed	53,409	389,523	83,219	526,151
Unassigned				
General fund	1,010,862	-	-	1,010,862
General stabilization fund	153,464	-	-	153,464
Total Unassigned	1,164,326	-	-	1,164,326
Total Fund Balance	<u>\$ 1,217,735</u>	<u>\$ 607,889</u>	<u>\$ 101,418</u>	<u>\$ 1,927,042</u>

13. Commitments and Contingencies

Grants – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Self-Insurance – The District participates in the Hampshire County Group Insurance Trust to provide health insurance coverage to its employees. The Trust is funded by member assessments, which are calculated in a manner similar to commercial insurance premiums. As of June 30, 2018, the Trust contracted with an insurance carrier for excess liability coverage which takes effect when an individual claim exceeds \$275,000.

If the Trust were to experience a cash deficit, each member would be required to contribute additional funds. At June 30, 2018, according to the Trust's unaudited financial statements, after accruing an estimated liability for incurred but unreported claims of approximately \$4.5 million, the Trust was in a surplus position of approximately \$22 million.

Potential Tax Refund – The District has one case pending with the Appellate Tax Board that could result in a material refund due to a taxpayer. The District has set aside funds in its allowance for abatement (overlay) account in order to prepare for a potential refund. At the present time, the outcome of the case is undeterminable.

14. Montague Contributory Retirement System

The District follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description

Substantially all employees of the District are members of the Montague Contributory Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at One Avenue A, Turners Falls, MA 01376.

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

If a participant was a member prior to February 1, 2012, a retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town/City employment on or after that date, and (4) left

accumulated annuity deductions in the fund. Members of Group 4, have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The District's contribution to the System for the year ended June 30, 2018 was \$247,394, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

For purposes of measuring the 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 System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. 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.

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

At June 30, 2018, the District reported a liability of \$1,400,544 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 14.67 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$252,324. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 118,240	\$ 101,223
Changes in assumptions	399,170	-
Net difference between projected and actual earnings on pension plan investments	-	254,818
Changes in proportion and differences between contributions and proportionate share of contributions	<u>183,746</u>	<u>-</u>
Total	<u>\$ 701,156</u>	<u>\$ 356,041</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 137,898
2020	135,580
2021	51,426
2022	16,826
2023	<u>3,385</u>
Total	<u>\$ 345,115</u>

D. Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/2018
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.25-4.75%
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3% of first \$18,000

Actuarial valuation of the ongoing Systems involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as

actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the January 1, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period ended December 31, 2017.

Pre-retirement rates for mortality were based on RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct). Post-retirement rates for mortality were based on RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct). Disabled retirees' mortality rate was based on the post-retirement table but with a base year of 2012.

Changes of Assumptions

Beginning with the January 1, 2013 actuarial valuations of local systems, the System's actuary recommended an investment return assumption of 7.75% for most local systems (assuming a reasonable asset allocation).

Beginning with January 1, 2015 actuarial valuations, the System's actuary recommended reducing this assumption further, in part, based on PRIM's annual study of the average overall expected 30-year return, developed using expected returns by asset class. The most recent study shows an annualized 7.80% gross average expected return. The trend both in Massachusetts and across the country over the past 10 years has been to reduce this assumption. The Board decided to decrease this assumption in this valuation to 7.50%. In addition, the System's actuary will continue to monitor this assumption and may recommend decreasing this assumption further as part of the January 1, 2018 actuarial valuation. The Board decided to decrease this assumption again in this valuation to 7.25%. This change increased the normal cost by approximately \$60,000 and the total accrued liability by approximately \$1.34 million.

E. Target Allocations

The long-term expected rate of return on pension plan investments was based on the current market environment, the current market price, and by using a building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for PRIM for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Equities	14.50%	7.50%
Small/Mid Cap Equities	3.50%	7.75%
Int'l Equities	16.00%	7.80%
Emerging Int'l Equities	6.00%	9.30%
Core Bonds	5.00%	3.75%
20+ Yr. Treasury STRIPS	2.00%	3.50%
TIPS	5.00%	3.75%
High-Yield Bonds	1.50%	5.50%
Bank Loans	2.50%	5.50%
EMD (External)	1.00%	5.00%
EMD (Local Currency)	0.00%	6.50%
Distressed Debt	3.00%	8.80%
Other Credit Opportunities	2.00%	6.50%
Private Equity	11.00%	9.50%
Real Estate	10.00%	6.70%
Timberland	4.00%	6.25%
Hedge Funds & Portfolio Completion	13.00%	6.40%
Total	<u>100.00%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

<u>Fiscal Year Ended</u>	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
June 30, 2018	\$2,240,109	\$1,400,544	\$688,023

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

15. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2015, the District established an OPEB Trust Fund to provide funding for future employee health care costs.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2018.

A. General Information about the OPEB Plan

Plan Description

The District provides post-employment healthcare benefits for retired employees through the District's plan. The District provides health insurance coverage through Hampshire County Group Insurance Trust. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

The District provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the District and meet the eligibility criteria will receive these benefits.

Plan Membership

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	\$ 10
Active employees	<u>37</u>
Total	<u>\$ 47</u>

B. Investments

The OPEB trust fund assets consist of cash and cash equivalents.

Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was not available. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by a valuation using the *alternative method* (allowed under GASB standards for organizations with less than 100 participants) as of June 30, 2018, using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	Not explicitly stated
Salary increases	2.5 percent
Investment rate of return	Assumed to be roughly 7%

Mortality rates were based on the Life Expectancy Table from the National Center for Health Statistics, updated in 2015.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of June 30, 2018.

The long-term expected rate of return on OPEB plan investments was not available.

D. Discount Rate

The discount rate used to measure the net OPEB liability was 5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members.

E. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2018, were as follows:

Total OPEB liability	\$ 1,960,057
Plan fiduciary net position	<u>(70,307)</u>
Net OPEB liability	<u>\$ 1,889,750</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.6%

F. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 06/30/17	\$ 2,083,098	\$ 40,186	\$ 2,042,912
Changes for the year:			
Service cost	87,627	-	87,627
Interest	104,155	-	104,155
Contributions - employer	-	116,099	(116,099)
Net investment income	-	121	(121)
Differences between expected and actual experience	(228,724)	-	(228,724)
Benefit payments	<u>(86,099)</u>	<u>(86,099)</u>	<u>-</u>
Net Changes	<u>(123,041)</u>	<u>30,121</u>	<u>(153,162)</u>
Balances at 06/30/18	<u>\$ 1,960,057</u>	<u>\$ 70,307</u>	<u>\$ 1,889,750</u>

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (4%)	Discount Rate (5%)	1% Increase (6%)
Net OPEB liability	\$2,077,907	\$1,889,750	\$1,704,542

H. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it as calculated using healthcare cost trend rates that are one percentage-point lower (2 percent increasing to 4 percent) or one percentage-point higher (4 percent increasing to 6 percent) than the current healthcare cost trend rates:

	1% Decrease (2% - 4%)	Healthcare Cost Trend Rates (3% - 5%)	1% Increase (4% - 6%)
Net OPEB liability	\$1,666,552	\$1,889,750	\$2,156,829

I. OPEB Expense and Deferred Outflow of Resources and Deferred Inflow of Resources

For the year ended June 30, 2018, the District recognized a reduction of OPEB expense of \$(153,162). At June 30, 2018, in accordance with the *alternative method* measurement option, the District reported no deferred outflows or inflows of resources related to OPEB.

16. Beginning Fund Balance/Net Position Restatement Reclassification

The beginning (July 1, 2017) net position / fund balance of the District has been restated as follows:

	Government-Wide Financial Statements	Fund Basis Financial Statements
	<u>Governmental Activities</u>	<u>Water Fund</u>
As previously reported	\$ 4,670,943	\$ 584,706
Implementation of GASB 75	(964,544)	-
Deobligation of water loan	<u>(13,426)</u>	<u>(13,426)</u>
As restated	<u>\$ 3,692,973</u>	<u>\$ 571,280</u>

TURNERS FALLS FIRE DISTRICT
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (GASB 68)

JUNE 30, 2018

(Unaudited)

(Amounts expressed in thousands)

Montague Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2018	December 31, 2017	14.67%	\$1,401	\$1,020	137.31%	81.78%
June 30, 2017	December 31, 2016	12.63%	\$1,378	\$878	156.97%	77.20%
June 30, 2016	December 31, 2015	12.32%	\$1,269	\$792	160.27%	77.00%
June 30, 2015	December 31, 2014	11.50%	\$1,184	\$843	140.46%	80.30%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TURNERS FALLS FIRE DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2018

(Unaudited)

(Amounts expressed in thousands)

Montague Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	December 31, 2017	\$247	\$247	-	\$1,020	24.25%
June 30, 2017	December 31, 2016	\$204	\$204	-	\$878	23.28%
June 30, 2016	December 31, 2015	\$194	\$194	-	\$792	24.53%
June 30, 2015	December 31, 2014	\$189	\$189	-	\$843	22.43%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TURNERS FALLS FIRE DISTRICT
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (GASB 74 AND 75)

(Unaudited)

(Amounts expressed in thousands)

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 88	\$ 113
Interest on unfunded liability - time value of \$	104	78
Changes of benefit terms	-	-
Differences between expected and actual experience	(229)	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	<u>(86)</u>	<u>(83)</u>
Net change in total OPEB liability	(123)	108
Total OPEB liability - beginning	<u>2,083</u>	<u>1,975</u>
Total OPEB liability - ending (a)	<u>\$ 1,960</u>	<u>\$ 2,083</u>
 Plan fiduciary net position*		
Contributions - employer	\$ 116	\$ 83
Benefit payments, including refunds of member contributions	<u>(86)</u>	<u>(83)</u>
Net change in plan fiduciary net position	30	-
Plan fiduciary net position - beginning	<u>40</u>	<u>40</u>
Plan fiduciary net position - ending (b)	<u>\$ 70</u>	<u>\$ 40</u>
 Net OPEB liability (asset) - ending (a-b)	<u>\$ 1,890</u>	<u>\$ 2,043</u>

*Reflects certain rounding and immaterial classification differences from page 19.

*Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

See notes to the District's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

TURNERS FALLS FIRE DISTRICT
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS,
AND INVESTMENT RETURNS (GASB 74 AND 75)

(Unaudited)

(Amounts expressed in thousands)

Schedule of Net OPEB Liability	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 1,960	\$ 2,083
Plan fiduciary net position	<u>(70)</u>	<u>(40)</u>
Net OPEB liability (asset)	<u>\$ 1,890</u>	<u>\$ 2,043</u>
Plan fiduciary net position as a percentage of the total OPEB liability	4%	2%
Covered employee payroll	\$ 1,208	\$ 1,133
Participating employer net OPEB liability (asset) as a percentage of covered employee payroll	156%	180%
Schedule of Contributions	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ N/A	\$ 207
Contributions in relation to the actuarially determined contribution	<u>86</u>	<u>(83)</u>
Contribution deficiency (excess)	<u>\$ N/A</u>	<u>\$ 124</u>
Covered employee payroll	\$ 1,208	\$ 1,133
Contributions as a percentage of covered employee payroll	0%	7%
Schedule of Investment Returns	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	not available	not available

*Schedules are intended to show information for 10 years.
Additional years will be displayed as they become available.*

See notes to the District's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

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

Independent Auditors' Report

Prudential Committee
Turners Falls Fire District

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 District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

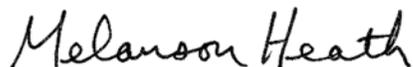
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



December 12, 2018