

HOPKINS HILL FIRE DISTRICT
BASIC FINANCIAL STATEMENTS
Fiscal Year Ended August 31, 2020

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 Fiscal Year Ended August 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hopkins Hill Fire District
Coventry, Rhode Island

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hopkins Hill Fire District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Hopkins Hill Fire District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

| <u>Opinion Unit:</u> | <u>Type of Opinion:</u> |
|-------------------------|-------------------------|
| Governmental Activities | Modified |
| General Fund | Unmodified |

Basis for Modified Opinions

GASB Statement 68, *Accounting and Financial Reporting for Pensions*, requires the net pension asset and/or liability and various components related to the net pension asset and/or liability be reported utilizing a measurement date which is no earlier than the end of the prior fiscal year. However, Hopkins Hill Fire District participates in the retirement plans administered by the State of Rhode Island and as such, the measurement date utilized by the plan was June 30, 2018 which is a date earlier than Hopkins Hill District's prior fiscal year end. The amount by which this departure would affect the net pension assets, deferred outflow of resources, net pension liabilities, deferred inflows of resources, net position, and expenses of the Governmental Activities has not been determined.

Modified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Modified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities of the Hopkins Hill Fire District as of August 31, 2020, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of each major fund of the Hopkins Hill Fire District as of August 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United State of America.

Other Matters

Required Supplementary Information

Hopkins Hill Fire District has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require the budgetary comparison information on pages 31-32 and required schedules related to pension plans on pages 34-35, respectively, 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 Hopkins Hill Fire District's financial statements as a whole. The schedule of property taxes on page 36 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of property taxes is the responsibility of management and were 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2021, on our consideration of the Hopkins Hill Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hopkins Hill Fire District's internal control over financial reporting and compliance.

WADOVICK + COMPANY

West Warwick, Rhode Island
February 22, 2021

HOPKINS HILL FIRE DISTRICT
STATEMENT OF NET POSITION
August 31, 2020

ASSETS

CURRENT ASSETS

| | | |
|------------------------------------|----|---------|
| Cash and cash equivalents | \$ | 752,528 |
| Taxes receivable, net | | 116,672 |
| Intergovernmental grant receivable | | 1,528 |
| Interest penalties receivable, net | | 44,750 |
| Other receivables | | 81 |
| Prepaid expense | | 25,149 |
| TOTAL CURRENT ASSETS | | 940,708 |

NON-CURRENT ASSETS

| | | |
|---|--|---------|
| Capital assets, net of accumulated depreciation | | 936,418 |
| TOTAL NON-CURRENT ASSETS | | 936,418 |

| | | |
|--------------|--|-----------|
| TOTAL ASSETS | | 1,877,126 |
|--------------|--|-----------|

DEFERRED OUTFLOWS OF RESOURCES

| | | |
|---|--|---------|
| Deferred outflows of resources related to pension plans | | 346,501 |
| TOTAL DEFERRED OUTFLOWS | | 346,501 |

LIABILITIES

CURRENT LIABILITIES

| | | |
|-----------------------------------|--|---------|
| Accounts payable | | 1,929 |
| Accrued payroll | | 41,469 |
| Accrued interest | | 24,138 |
| Current portion of long-term debt | | 99,933 |
| TOTAL CURRENT LIABILITIES | | 167,469 |

NON-CURRENT LIABILITIES

| | | |
|---------------------------------|--|-----------|
| Net pension liability | | 561,281 |
| Long-term debt obligations, net | | 810,654 |
| TOTAL NON-CURRENT LIABILITIES | | 1,371,935 |

| | | |
|-------------------|--|-----------|
| TOTAL LIABILITIES | | 1,539,404 |
|-------------------|--|-----------|

DEFERRED INFLOWS OF RESOURCES

| | | |
|--|--|---------|
| Deferred inflows of resources related to pension plans | | 286,240 |
| TOTAL DEFERRED INFLOWS | | 286,240 |

NET POSITION

| | | |
|----------------------------------|--|---------|
| Net investment in capital assets | | 184,412 |
| Restricted | | 48,997 |
| Unrestricted | | 164,574 |
| | | 397,983 |

| | | |
|--------------------|----|---------|
| TOTAL NET POSITION | \$ | 397,983 |
|--------------------|----|---------|

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

HOPKINS HILL FIRE DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2020

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--|---|--|--|--|
| | Charges for Services, Fees & Licenses | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| <u>FUNCTIONS/PROGRAMS:</u> | | | | |
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | |
| Public safety--fire protection & rescue | \$ 2,381,325 | \$ 43,175 | \$ 57,324 | \$ (1,367,928) |
| Interest on long-term debt | 32,185 | - | - | (32,185) |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>\$ 2,413,510</u> | <u>\$ 43,175</u> | <u>\$ 57,324</u> | <u>(1,400,113)</u> |
| | | | | |
| <u>GENERAL REVENUES</u> | | | | |
| Property taxes including interest on taxes | | | | 930,007 |
| Tax sale receipts | | | | 2,373 |
| Unrestricted investment earnings | | | | 4,265 |
| TOTAL GENERAL REVENUES | | | | <u>936,645</u> |
| | | | | |
| CHANGE IN NET POSITION | | | | <u>(463,468)</u> |
| | | | | |
| NET POSITION - September 1, 2019 | | | | <u>861,451</u> |
| | | | | |
| NET POSITION - August 31, 2020 | | | | <u>\$ 397,983</u> |

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

HOPKINS HILL FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2020

| | GENERAL FUND | RESCUE FUND | DISPATCH FUND | TOTAL GOVERNMENTAL FUNDS |
|---|-------------------|-------------------|------------------|--------------------------------|
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 374,814 | \$ 320,581 | \$ 57,133 | \$ 752,528 |
| Taxes receivable, net | 116,672 | - | - | 116,672 |
| Intergovernmental grant receivable | 1,528 | - | - | 1,528 |
| Interest penalties receivable, net | 44,750 | - | - | 44,750 |
| Other receivables | 81 | - | - | 81 |
| Prepaid expense | 25,149 | - | - | 25,149 |
| TOTAL ASSETS | \$ 562,994 | \$ 320,581 | \$ 57,133 | \$ 940,708 |
| <u>LIABILITIES</u> | | | | |
| Accounts payable | \$ 1,929 | \$ - | \$ - | \$ 1,929 |
| Accrued payroll | 33,333 | - | 8,136 | 41,469 |
| TOTAL LIABILITIES | \$ 35,262 | \$ - | \$ 8,136 | \$ 43,398 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | |
| Unavailable revenues - property taxes | 102,683 | - | - | 102,683 |
| Unavailable revenues - interest and penalties | 44,750 | - | - | 44,750 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | \$ 147,433 | \$ - | \$ - | \$ 147,433 |
| <u>FUND BALANCES</u> | | | | |
| Non-spendable | 25,149 | - | - | 25,149 |
| Restricted | - | - | 48,997 | 48,997 |
| Assigned | - | 320,581 | - | 320,581 |
| Unassigned | 355,150 | - | - | 355,150 |
| TOTAL FUND BALANCES | \$ 380,299 | \$ 320,581 | \$ 48,997 | \$ 749,877 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 562,994 | \$ 320,581 | \$ 57,133 | \$ 940,708 |

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

HOPKINS HILL FIRE DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION
August 31, 2020

| | | |
|---|----|------------------|
| Total Governmental Funds Balances | \$ | 749,877 |
| Capital assets used in governmental activities which are not financial resources and, therefore, are not reported in the Governmental Fund balance sheet. | | 936,418 |
| Long-term liabilities not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Position. | | (910,587) |
| Unavailable tax revenues (net of an allowance for uncollectibles) recorded in the funds, but not reported under the measurement focus in the Statement of Net Position. | | 102,683 |
| Unavailable interest and penalties revenues (net of an allowance for uncollectibles) recorded in the funds but not reported under the measurement focus in the Statement of Net Position. | | 44,750 |
| Accrued interest expense on long-term obligations not due and payable in the current period and therefore is not reported in the funds. This liability is reported in the Statement of Net Position | | (24,138) |
| Net pension liability and related deferred outflows and inflows of resources related to pension plans are reported in the Statement of Net Position but are not reported on the Fund Statements. | | <u>(501,020)</u> |
| Net Position of Governmental Activities | \$ | <u>397,983</u> |

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

HOPKINS HILL FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2020

| | GENERAL FUND | RESCUE FUND | DISPATCH FUND | TOTAL GOVERNMENTAL FUNDS |
|---|-------------------|-------------------|------------------|--------------------------------|
| REVENUES | | | | |
| Taxes | \$ 902,773 | \$ - | \$ - | \$ 902,773 |
| Interest on taxes | 17,060 | - | - | 17,060 |
| Tax sale receipts | 2,373 | - | - | 2,373 |
| Intergovernmental grant income | 16,300 | - | 26,875 | 43,175 |
| Contract services | 264,417 | - | 414,878 | 679,295 |
| National Grid rebates | 57,324 | - | - | 57,324 |
| Ambulance services | - | 233,603 | - | 233,603 |
| Investment income | 4,265 | - | - | 4,265 |
| TOTAL REVENUES | <u>1,264,512</u> | <u>233,603</u> | <u>441,753</u> | <u>1,939,868</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Salaries and wages | 776,356 | 14,907 | 273,650 | 1,064,913 |
| Employment taxes and fringes | 263,953 | - | 107,760 | 371,713 |
| District officers | 46,099 | - | - | 46,099 |
| Fire department operations | 20,635 | - | - | 20,635 |
| Fuel | 12,391 | - | - | 12,391 |
| Apparatus repairs and maintenance | 27,555 | - | - | 27,555 |
| Dispatch operation | - | - | 7,993 | 7,993 |
| Rescue operations and supplies | 10,795 | 60,492 | - | 71,287 |
| Hydrant rental | 52,391 | - | - | 52,391 |
| Street lighting | 18,563 | - | - | 18,563 |
| Grant expenses | 16,300 | - | - | 16,300 |
| Telephone/internet/cable TV | 2,905 | - | - | 2,905 |
| Advertising | 80 | - | - | 80 |
| Occupancy | 20,270 | - | - | 20,270 |
| Insurance | 50,877 | - | - | 50,877 |
| Tax collector's expenses | 215 | - | - | 215 |
| Tax sale expense | 1,611 | - | - | 1,611 |
| Audit and legal expense | 16,349 | - | - | 16,349 |
| Office expense | 6,233 | - | - | 6,233 |
| Small equipment | 5,460 | - | - | 5,460 |
| Miscellaneous | 11,294 | - | - | 11,294 |
| Debt Service: | | | | |
| Principal | - | 100,663 | - | 100,663 |
| Interest | - | 33,726 | - | 33,726 |
| Capital: | | | | |
| Dispatch software | - | - | 53,752 | 53,752 |
| Equipment | 43,531 | - | - | 43,531 |
| TOTAL EXPENDITURES | <u>1,403,863</u> | <u>209,788</u> | <u>443,155</u> | <u>2,056,806</u> |
| Expenditures over (under) revenues before other financing sources (uses) | <u>(139,351)</u> | <u>23,815</u> | <u>(1,402)</u> | <u>(116,938)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 10,137 | 25,018 | - | 35,155 |
| Transfers out | - | - | (35,155) | (35,155) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>10,137</u> | <u>25,018</u> | <u>(35,155)</u> | <u>-</u> |
| CHANGE IN FUND BALANCE | (129,214) | 48,833 | (36,557) | (116,938) |
| FUND BALANCES - September 1, 2019 | <u>509,513</u> | <u>271,748</u> | <u>85,554</u> | <u>866,815</u> |
| FUND BALANCES - August 31, 2020 | <u>\$ 380,299</u> | <u>\$ 320,581</u> | <u>\$ 48,997</u> | <u>\$ 749,877</u> |

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

HOPKINS HILL 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 August 31, 2020

| | |
|--|---------------------|
| Change in Fund Balance - Governmental Funds | \$ (116,938) |
| 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. This is the amount by which depreciation expense exceeded capital outlays for the year ended August 31, 2020. | (395,316) |
| Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on changes in net position. | 100,663 |
| Governmental funds do not report estimated accrued interest on long-term debt as a liability in the Fund Financial Statements if they are not going to be paid with current available resources. This liability is reported in the Government-Wide Financial Statements. This adjustment reflects the decrease in accrued interest on long-term obligations from August 31, 2019 to August 31, 2020. | 1,541 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Unavailable tax revenue increased from fiscal 2019. | 14,771 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Unavailable interest and penalty revenue decreased from fiscal 2019. | (4,597) |
| Increase in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net position. | (26,950) |
| Changes in net pension asset, deferred outflows of resources related to pension plans, and deferred inflows related to pension plans results in an increase or decrease to the pension expense reported in the statement of activities. For fiscal 2020, the effect of these adjustments resulted in an increase in the pension expense reported in the Statement of Activities. | <u>(36,642)</u> |
| Change in Net Position - Governmental Activities in the Statement of Activities | <u>\$ (463,468)</u> |

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

HOPKINGS HILL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2020

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE FINANCIAL REPORTING ENTITY

The Hopkins Hill Fire District (the District) was organized by the Rhode Island General Assembly and approved by the electorate in 1955 to meet the fire needs in Coventry, Rhode Island. The Fire District provides fire protection, hazmat, and rescue services throughout the District. The District also provides fire protection and hazmat services to other local commercial entities under separate contracts.

The District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

PRIMARY GOVERNMENT

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 61. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The primary government is financially accountable if it appoints the voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. A potential component unit has a financial benefit or burden relationship with the primary government if, for example, any one of the following conditions exists:

- a. The primary government is legally entitled to or can otherwise access the organization's resources.
- b. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- c. The primary government is obligated in some manner for the debt of the organization.

There were no entities which met the criteria noted above.

BASIS OF PRESENTATION

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds and component units that are fiduciary in nature. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. Currently, the District has no business-type activities. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, receivables, and payables.

HOPKINGS HILL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
August 31, 2020

Fund Financial Statements – Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of that individual, government fund, or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets and deferred outflow of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of that individual, governmental fund or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

General Funds – The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are committed or restricted to expenditures for specific purposes other than that debt service or capital projects.

MAJOR AND NONMAJOR FUNDS

The funds are further classified as major or nonmajor as follows:

| | | |
|---------------------|------------------------------|----------------------------|
| <i>Major Funds:</i> | <u>General:</u> | See above for description. |
| | <u>Special Revenue Fund:</u> | Dispatch fund |
| | <u>Special Revenue Fund:</u> | Rescue fund |

Nonmajor Funds: None

MEASUREMENT FOCUS

On the government-wide Statement of Net Position and the Statement of Activities governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of the income and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a

HOPKINGS HILL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
August 31, 2020

given period. These funds are using fund balance as their measure of available spendable financial resources at the end of the period. The District considers property taxes as available if they are collected within 60 days after year end.

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities, and current deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided and operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity of three months or less.

ACCOUNTS RECEIVABLE

In the government-wide Statements, receivables consist of all revenues earned at year-end and not yet received. Receivable balances for the governmental activities include property taxes, intergovernmental grant receivables, interest penalties on delinquent property taxes, and fire rescue fees.

In the fund financial statements, receivables in governmental funds include revenue accruals such as property taxes and interest penalties on delinquent property taxes. Non-exchange transactions collectible but not available are considered unearned in the fund financial statements in accordance with the modified accrual basis of accounting. Allowances for uncollectible accounts receivable are based upon historical trend and the periodic aging of accounts receivable. At August 31, 2020, the District has estimated the allowance for taxes receivable to be \$10,000 and the allowance for interest penalties receivable to be \$7,500.

INVENTORIES

For governmental fund types, disbursements for inventory-type items are not recorded as assets but have been recorded as expenditures at the time individual inventory items were purchased.

HOPKINGS HILL FIRE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 August 31, 2020

PREPAID ITEMS

Prepaid items are accounted for under the allocation method whereby a prepaid asset is established at the date of payment and subsequently amortized over the accounting periods expected to benefit from the initial payment.

PENSIONS

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

PROPERTY, PLANT AND EQUIPMENT

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

Government-Wide Statements – In the government-wide financial statements, long-lived assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Infrastructure, such as streets and drainage systems, are capitalized. The capitalization threshold of the District is any individual item with a total cost greater than \$5,000.

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

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

| | Years |
|----------------------------|--------|
| Buildings and improvements | 7 - 39 |
| Vehicles | 5 - 20 |
| Fire equipment | 5 - 20 |
| Furniture and equipment | 5 - 15 |

Fund Financial Statements – In the fund financial statements, long-lived assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

HOPKINGS HILL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
August 31, 2020

COMPENSATED ABSENCES

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay. The amount recorded is the unused days earned at the current rate of pay. For governmental activities, the general fund is used to satisfy this liability as it becomes due. Compensated absences are recorded as a long-term liability in the Government-Wide financial statements as they are not due and payable in the current period. Accordingly, these liabilities are not included in the fund financial statements.

EQUITY CLASSIFICATIONS

Government-Wide Statements – Equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable by the acquisition, construction or improvement of those assets.

Restricted net position – consists of net position with constraints placed on them either by (1) external groups such as creditors, grantors, contributions, laws, or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – all other net positions that do not meet the definition of “restricted” or “net investment in capital assets”.

Fund Statements – Governmental fund equity is classified as fund balance. With the implementation of GASB Statement No. 54, fund balance is classified as one of the following five categories: non-spendable, restricted, committed, assigned, or unassigned. These categories are defined below:

Non-spendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash.

Restricted – includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Those committed amount cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The highest level of decision-making authority for the Hopkins Hill Fire District is the taxpayers that assemble annually to vote on the District’s budget and resolutions proposed by the Chief and Board of Directors.

HOPKINGS HILL FIRE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 August 31, 2020

Assigned – includes amounts that are constrained by the government’s intent to be used for specific purposes but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

RECONCILIATION OF GOVERNMENT-WIDE STATEMENT OF NET POSITION AND BALANCE SHEET OF GOVERNMENTAL FUNDS

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position- governmental activities as reported in the Government-Wide statement of net position. One element of that reconciliation explains that "net pension liability and related deferred outflows and inflows of resources related to pension plans are reported in the Statement of Net Position but are not reported on the Fund Statements." The details of this \$501,020 are as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Pension Liability | Total |
|--|-----------------------------------|----------------------------------|--------------------------|---------------------|
| Differences between expected and actual experience | \$ 83,949 | \$ 251,664 | \$ - | \$ (167,715) |
| Changes in assumptions | 112,735 | 15,446 | - | 97,289 |
| Net difference between projected and actual earnings | - | 19,130 | - | (19,130) |
| Net pension liability | - | - | 561,281 | (561,281) |
| Pension contributions after the measurement date | 149,817 | - | - | 149,817 |
| NET ADJUSTMENT | <u>\$ 346,501</u> | <u>\$ 286,240</u> | <u>\$ 561,281</u> | <u>\$ (501,020)</u> |

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the Government-Wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this \$389,856 difference are as follows:

| | |
|---|---------------------|
| Fund expenditures capitalized for reporting in Government-Wide Statements | \$ 48,991 |
| Depreciation expense | <u>(438,847)</u> |
| NET ADJUSTMENT | <u>\$ (389,856)</u> |

HOPKINGS HILL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
August 31, 2020

RECENTLY ISSUED ACCOUNTING STANDARDS

During the fiscal year ended August 31, 2020 the District implemented the following new accounting pronouncements:

GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance, effective for fiscal year ending August 31, 2020

GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period, effective for fiscal year ending August 31, 2022 (early implementation permitted)

The following are recently issued governmental accounting standards which will be applicable in future years:

GASB Statement No. 84 – Fiduciary Activities, effective for fiscal year ending August 31, 2021

GASB Statement No. 87 – Leases, effective for fiscal year ending August 31, 2022

GASB Statement No. 90 – Majority Equity Interests, effective for fiscal year ending August 31, 2021

GASB Statement No. 91 – Conduit Debt Obligations, effective for fiscal year ending August 31, 2023

GASB Statement No. 93 – Replacement of Interbank Offered Rates, effective for fiscal year ending August 31, 2023

GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements, effective for fiscal year ending August 31, 2023

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements, effective for fiscal year ending August 31, 2023

GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for IRS Code Sec. 457 Deferred Compensation Plans, effective for fiscal year ending August 31, 2021

The impact of these pronouncements on the District's financial statements has not been determined.

USE OF ESTIMATES

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOPKINGS HILL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
August 31, 2020

SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through February 22, 2021, the date the financial statements were available to be issued. There are no subsequent events requiring disclosure.

NOTE 2 – BUDGETARY PROCESS

ADOPTION

Budgets are adopted in accordance with District charter requirements. It is the responsibility of the Board of Directors to submit a proposed budget to the members of the District at the August board meeting. A public hearing is conducted on the recommended budget and the final recommended budget is legally enacted through a vote of the District residents at the Annual District Meeting held in September. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year-end.

ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year-end are reported as either committed or assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The District had no encumbrances outstanding at August 31, 2020.

NOTE 3 – CASH AND INVESTMENTS

The State of Rhode Island requires that certain uninsured deposits be collateralized. Section 35-10.1-7 of the General Laws of the State of Rhode Island, dealing with the collateralization of public deposits, requires that all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet the minimum capital requirements of its Federal regulator must be collateralized.

A. Deposits

At August 31, 2020, the District's carrying amount of cash and cash equivalents was \$752,528 and the bank balance was \$753,536.

B. Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District did not maintain any investments at August 31, 2020 or during the year then ended.

C. Concentration of Credit Risk

At August 31, 2020, the District's deposits were held at one financial institution. The District attempts to minimize its concentration of credit risk by depositing and investing funds with multiple institutions and

HOPKINGS HILL FIRE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 August 31, 2020

investing in government obligations. The District's deposits are maintained in highly rated financial institutions whose ratings are reviewed on a periodic basis. At August 31, 2020, \$250,000 of the District's bank balance was covered by the financial institutions under federal depository insurance and \$503,536 was covered by a collateralization agreement.

D. Custodial Credit Risk

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. The state of Rhode Island requires that certain uninsured deposits be collateralized. Section 35-10.1-7 of the General Laws of the State of Rhode Island, dealing with the collateralization of public deposits, requires that all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet the minimum capital requirements of its federal regulator must be collateralized. The District does not have a formal deposit policy for custodial credit risk but is governed by State laws as described above.

NOTE 4 – RECEIVABLES

Receivables at August 31, 2020, including the applicable allowances for uncollectible accounts, are as follows:

| | General Fund |
|--|-----------------|
| Receivables: | |
| Taxes | \$ 126,672 |
| Interest & penalties | 52,250 |
| Intergovernmental grants | 1,528 |
| Other receivables | 81 |
| GROSS RECEIVABLES | 180,531 |
| Less: Allowances for uncollectible accounts | (17,500) |
| NET RECEIVABLES | \$ 163,031 |

All real estate in the District is taxed to the owners according to the last valuation made by the Tax Assessor of the Town of Coventry. The tax rate established for the year ended August 31, 2020 was \$2.25 per \$1,000 of assessed valuation on residential and personal property and \$3.375 per \$1,000 of assessed valuation on commercial property. The District does assess a \$10 minimum tax. The taxable value of property with an assessment date of December 31, 2018 was \$359,537,218.

Taxes are levied after the adoption of the annual budget (second Monday in September) and are payable and due by October 31st. Taxpayers are also given the option to make quarterly payments due October 31st, January 31st, April 30th, and July 31st. All unpaid taxes levied become delinquent on November 1st of the current year and are subject to interest at an annual rate of 18%. Total assessments for the year ended August 31, 2020 was \$916,475.

HOPKINGS HILL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
August 31, 2020

The District is responsible for assessing, collecting, and distributing property taxes in accordance with enabling State legislation. The District recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Government Accounting and Financial Reporting Standards. Unpaid property taxes as of August 31, 2020 are recorded as a receivable. Those net property taxes receivable which were not collected within 60 days immediately following August 31, 2020 are reported as deferred inflow of resources and amounted to \$102,683. Property taxes recognized as revenue for the fiscal year ended August 31, 2020 due to their collection in the 60 days following August 31, 2020 totaled \$13,990.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended August 31, 2020 is as follows:

| | Balance September 1, 2019 | Additions | Retirements & Disposals | Balance August 31, 2020 |
|--|------------------------------|------------------|----------------------------|----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 20,000 | \$ - | \$ - | \$ 20,000 |
| Total capital assets not being depreciated | 20,000 | - | - | 20,000 |
| Capital assets being depreciated: | | | | |
| Build and building improvements | 313,660 | - | - | 313,660 |
| Apparatus, vehicles and equipment | 2,995,760 | 43,531 | - | 3,039,291 |
| Total capital assets being depreciated | 3,309,420 | 43,531 | - | 3,352,951 |
| Total capital assets | 3,329,420 | 43,531 | - | 3,372,951 |
| Less accumulated depreciation: | | | | |
| Build and building improvements | (184,781) | (16,951) | - | (201,732) |
| Apparatus, vehicles and equipment | (1,812,905) | (421,896) | - | (2,234,801) |
| Total accumulated depreciation | (1,997,686) | (438,847) | - | (2,436,533) |
| Net capital assets | \$ 1,331,734 | \$ (395,316) | \$ - | \$ 936,418 |

Depreciation expense charged to public safety was \$438,847 for the year ended August 31, 2020.

HOPKINGS HILL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
August 31, 2020

NOTE 6 – LONG-TERM LIABILITIES

Long-Term Liability Activity

Long-term liability activity for the year ended August 31, 2020 was as follows:

| | Balance September 1, 2019 | Additions | Retirements | Balance August 31, 2020 | Amounts Due Within One Year |
|---------------------------|------------------------------|------------------|---------------------|----------------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| Long-term debt: | | | | | |
| Lease purchase obligation | \$ 52,669 | \$ - | \$ (52,669) | \$ - | \$ - |
| Lease purchase obligation | 800,000 | - | (47,994) | 752,006 | 49,933 |
| Compensated absences | 131,631 | 26,950 | - | 158,581 | 50,000 |
| TOTAL | <u>\$ 984,300</u> | <u>\$ 26,950</u> | <u>\$ (100,663)</u> | <u>\$ 910,587</u> | <u>\$ 99,933</u> |

Lease Purchase Obligation

Lease purchase obligation at August 31, 2020 are comprised of the following:

| | Interest Rate | Interest Date | Issued/Maturity Date | Original Issue | Balance August 31, 2020 |
|---------------------------|------------------|------------------|-------------------------|-------------------|----------------------------|
| Governmental Activities: | | | | | |
| Lease purchase obligation | 4.040% | 11/18 | 11/18/18 - 11/18/31 | <u>\$ 800,000</u> | <u>\$ 752,006</u> |

Debt Service Requirements

Presented below is a summary of debt service requirements, including interest, to maturity by years:

| Year Ending August 31, | Governmental Activities | | Total |
|------------------------|---|-------------------|-------------------|
| | Notes from Direct Borrowings and Direct Placements | | |
| | Principal | Interest | |
| 2021 | \$ 49,933 | \$ 30,381 | \$ 80,314 |
| 2022 | 51,950 | 28,364 | 80,314 |
| 2023 | 54,049 | 26,265 | 80,314 |
| 2024 | 56,233 | 24,081 | 80,314 |
| 2025 | 58,504 | 21,810 | 80,314 |
| 2026 - 2030 | 329,944 | 71,626 | 401,570 |
| 2031 - 2032 | 151,393 | 9,235 | 160,628 |
| | <u>\$ 752,006</u> | <u>\$ 211,762</u> | <u>\$ 963,768</u> |

Interest expense paid on long-term debt obligations and reported in the governmental fund expenditures of the Rescue Fund was \$33,726 for the year ended August 31, 2020.

HOPKINGS HILL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
August 31, 2020

NOTE 8 – FUND BALANCE

As stated in Note 1, Fund Balance may be classified as one of five categories: Non-spendable, Restricted, Committed, Assigned, or Unassigned. Committed Fund Balance represents that amount of fund balance which can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. The Hopkins Hill Fire District's taxpayers are considered to be the highest level of decision making authority. In accordance with the District Charter, the taxpayers vote on the annual budget and on any resolutions proposed by the Board of Directors. The passage of the District's annual budget and proposed resolutions may result in the commitment of fund balance.

Non-spendable Fund Balance at August 31, 2020 totaled \$25,149 and represented amounts which have been prepaid on insurance policies for future fiscal years.

Restricted Fund Balance at August 31, 2020 totaled \$48,997. This represents funds used exclusively in the operations for the Coventry Dispatch.

Assigned Fund Balance represents the amount of fund balance which has been constrained by the District's intent to be used for specific purposes. The assignment of fund balance is determined by actions of the Board of Directors rather than the actions of the District taxpayers. The ability to assign fund balance is granted to the Board of Directors by the District taxpayers. At August 31, 2020, the District had \$320,581 of assigned fund balance relating to the District's fire rescue operations.

The Hopkins Hill Fire District does not currently have a spending policy regarding the order in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for the expenditures incurred. Accordingly, by default the District is following the policy prescribed by GASB Statement No. 54 which specifies that fund balance is reduced first by committed, then by assigned, then by unassigned when expenditures are incurred for purposes for which any unrestricted fund balance could be used. In all situations, the District considers restricted fund balance to be used first when available and when expenditures are incurred that meet the requirements of the restricted fund balance.

NOTE 9 – RISKS AND UNCERTAINTIES

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. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of August 31, 2020, the District has estimated the reserve for any potential losses to be immaterial and therefore has not recorded any liability in the financial statements.

The COVID-19 outbreak in the United States has resulted in a disruption in operations. These recent developments could result in delays in receiving of grant funds and collection of fire tax revenues. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. While the District's operations continue, it is possible that this outbreak could negatively impact future operating results; however, the related financial impact and duration cannot be reasonably estimated at this time

HOPKINGS HILL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
August 31, 2020

NOTE 10 – DEFINED BENEFITS PENSION PLAN

General Information about the Pension Plan

Plan Description

The Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan, provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at <http://www.ersri.org>.

Benefit Provisions

General employees, police officers and firefighters employed by electing municipalities participate in MERS. Eligible employees become members at their date of employment. Anyone employed by a municipality at the time the municipality joins MERS may elect not to be covered. Elected officials may opt to be covered by MERS. Employees covered under another plan maintained by the municipality may not become members of MERS. Police officers and/or firefighters may be designated as such by the municipality, in which case the special contribution and benefit provisions described below will apply to them, or they may be designated as general employees with no special benefits. Members designated as police officers and/or firefighters are treated as belonging to a unit separate from the general employees, with separate contribution rates applicable.

Salary: Salary includes the member's base earnings plus any payments under a regular longevity or incentive plan. Salary excludes overtime, unused sick and vacation leave, severance pay, and other extraordinary compensation. Certain amounts that are excluded from taxable wages, such as amounts sheltered under a Section 125 plan or amounts picked up by the employer under IRC Section 414(h), are not excluded from salary.

Service: Employees receive credit for service while a member. In addition, a member may purchase credit for certain periods by making an additional contribution to purchase the additional service. Special rules and limits govern the purchase of additional service and the contribution required.

Final Average Compensation (FAC): Prior to July 1, 2012 and for general employee members eligible to retire as of August 31, 2012, the average was based on the member's highest three consecutive annual salaries. Effective July 1, 2012, the average was based on the member's highest five consecutive annual salaries. Once a member retires or is terminated, the applicable FAC will be the greater of the member's highest three-year FAC as of July 1, 2012 or the five-year FAC as of the retirement/termination date. Monthly benefits are based on one-twelfth of this amount.

HOPKINGS HILL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
August 31, 2020

General employees

Members with less than five years of contributory service as of June 30, 2012 and members hired on or after that date are eligible for retirement on or after their Social Security normal retirement age (SSNRA).

Members who had at least five years of contributory service as of June 30, 2012 will be eligible for retirement at an individually determined age. This age is the result of interpolating between the member's prior Retirement Date, described below, and the retirement age applicable to members hired after August 31, 2012 in (a) above. The interpolation is based on service as of June 30, 2012 divided by projected service at the member's prior Retirement Date. The minimum retirement age is 59.

Members with 10 or more years of contributory service on June 30, 2012 may choose to retire at their prior Retirement Date if they continue to work and contribute until that date. If this option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

Effective July 1, 2015, members will be eligible to retire with full benefits at the earlier of their current Rhode Island Retirement Security Act (RIRSA) date described above or upon the attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with 33 years of service.

A member who is within five years of reaching their retirement eligibility date and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members were eligible for retirement on or after age 58 if they had credit for 10 or more years of service, or at any age if they had credit for at least 30 years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

The annual benefit is equal to 2.00% of the member's monthly FAC for each year of service prior to July 1, 2012 and 1.00% of the member's monthly FAC for each year of service from July 1, 2012 through June 30, 2015. For all service after June 30, 2015, the annual benefit is equal to 1.0% per year unless the member had 20 or more years of service as of June 30, 2012 in which case the benefit accrual is 2.0% per year for service after June 30, 2015. The benefit cannot exceed 75% of the member's FAC. Benefits are paid monthly.

Police and Fire employees

Members are eligible to retire when they are at least 50 years old and have a minimum of 25 years of contributing service or if they have 27 years of contributing service at any age. Members with less than 25 years of contributing service are eligible for retirement on or after their Social Security normal retirement age.

Members who, as of June 30, 2012, had at least 10 years of contributing service, had attained age 45, and had a prior Retirement Date before age 52 may retire at age 52.

Active members on June 30, 2012 may choose to retire at their prior Retirement Date if they continue to work and contribute until that date. If option is elected, the retirement benefit will be calculated using the

HOPKINGS HILL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
August 31, 2020

benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

A member who is within five years of reaching their retirement eligibility date, as described in this section, and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members designated as police officers or firefighters were eligible for retirement at or after age 55 with credit for at least 10 years of service or at any age with credit for 25 or more years of service. Members were also eligible to retire and receive a reduced benefit if they are at least age 50 and have at least 20 years of service. If the municipality elected to adopt the 20-year retirement provisions for police officers and/or firefighters, then such a member was eligible to retire at any age with 20 or more years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

A monthly benefit is paid equal to 2.00% of the member's monthly FAC for each year of service, up to 37.5 years (75% of FAC maximum).

If the optional 20-year retirement provisions were adopted by the municipality prior to July 1, 2012: benefits are based on 2.50% of the member's FAC for each year of service prior to July 1, 2012 and 2.00% of the member's FAC for each year of service after July 1, 2012. The benefit cannot exceed 75% of the member's FAC.

Active members (including future hires), members who retire after July 1, 2015 and after attaining age 57 with 30 years of service will have a benefit equal to the greater of their current benefit described in (a) and (b) above and one calculated based on a 2.25% multiplier for all years of service.

Other benefit provisions

Death and disability benefits are also provided to members. A member is eligible for a disability retirement provided he/she has credit for at least five years of service or if the disability is work-related. Members are not eligible for an ordinary disability benefit if they are eligible for unreduced retirement.

Joint and survivor benefit options are available to retirees. For some employees, a Social Security Option is also available where an annuity is paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.

Post-retirement benefit increases are paid to members who retire after August 31, 2012. Members will be eligible to receive cost of living increases at the later of the member's third anniversary of retirement and the month following their SSNRA (age 55 for members designated as police officers and/or firefighters). When a municipality elects coverage, it may elect either COLA C (covering only current and future active members and excluding members already retired) or COLA B (covering current retired members as well as current and future active members).

a. The COLA will be suspended for any unit whose funding level is less than 80%; however, an interim COLA may be granted in four-year intervals while the COLA is suspended. The first interim COLA may begin January 1, 2018.

HOPKINGS HILL FIRE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 August 31, 2020

b. Effective July 1, 2015, the COLA is determined based on 50% of the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%, plus 50% of the lesser of 3.0% or last year's CPI-U increase for a total maximum increase of 3.50%. Previously, it was the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%.

c. The COLA will be limited to the first \$25,000 of the member's annual pension benefit. For retirees and beneficiaries who retired on or before July 1, 2015, years in which a COLA is payable based on the every fourth year provision described in (i) above will be limited to the first \$30,000. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016, and \$26,098 for 2017.

Employees Covered by Benefit Terms

At the June 30, 2019 valuation date, the following employees were covered by the benefit terms:

| | |
|-------------------------------|----|
| Retirees & Beneficiaries | 2 |
| Inactive, non-retired members | - |
| Active members | 12 |
| Total | 14 |

Contributions

The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees are required to contribute 2% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 8.25%. Public safety employees are required to contribute 10% of their salaries. Hopkins Hill Fire District contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The contribution rates for fiscal 2019 were determined by the actuarial valuations dated June 30, 2016. The District contributed \$100,957 in the year ended June 30, 2019 which was 12.78% of annual covered payroll of \$789,959.

Net Pension Liability

The total pension liability was determined by actuarial valuations performed as of June 30, 2018 and rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement.

Although the District has a fiscal year of August 31, the MERS Plan administered by the State of Rhode Island have been valued as of June 30th. Because the information as of August 31st is not available, the District has included the valuation as of June 30, 2018 rolled forward to June 30, 2019 as provided by the State of Rhode Island for the MERS Plan since this is the most recent information available.

HOPKINGS HILL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
August 31, 2020

| Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2019 measurement date (June 30, 2018 valuation rolled forward to June 30, 2019) | |
|--|--|
| Actuarial Cost Method | Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used. |
| Amortization Method | Level Percent of Payroll - Closed |
| Actuarial Assumptions | |
| Investment Rate of Return | 7.00% |
| Projected Salary Increases | General Employees - 3.50% to 7.50%; Police & Rescue Employees - 4.00% to 14.00% |
| Inflation | 2.50% |
| Mortality | Mortality - variants of the RP-2014 mortality tables - for the improvement scale, update to the ultimate rates of the MP-2016 projection scale |
| Cost of Living Adjustments | A 2% COLA is assumed after January 1, 2014. |

The actuarial assumptions used in the June 30, 2018 valuation rolled forward to June 30, 2019 and the calculation of the total pension liability at June 30, 2019 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 34 sources. The June 30, 2019 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

| Asset Class | Long-Term Target Asset Allocation | Long-Term Expected Arithmetic Real Rate of Return |
|--------------------------------|--------------------------------------|---|
| Global Equity | | |
| US Equity | 22.10% | 6.16% |
| Internal Developed Equity | 13.20% | 6.83% |
| Emerging Markets Equity | 4.70% | 8.90% |
| Private Growth | | |
| Private Equity | 11.25% | 9.81% |
| Non-Core RE | 2.25% | 5.51% |
| OPP Private Credit | 1.50% | 9.81% |
| Income | | |
| High Yield Infrastructure | 1.00% | 3.98% |
| REITS | 1.00% | 5.51% |
| Liquid Credit | 2.80% | 3.98% |
| Private Credit | 3.20% | 3.98% |
| Crisis Protection Class | | |
| Treasury Duration | 4.00% | 0.77% |
| Systematic Trend | 4.00% | 4.20% |
| Inflation Protection | | |
| Core Real Estate | 3.60% | 5.51% |
| Private Infrastructure | 2.40% | 5.85% |
| TIPs | 1.00% | 1.37% |
| Natural Resources | 1.00% | 3.76% |
| Volatility Protection | | |
| IG Fixed Income | 11.50% | 2.15% |
| Absolute Return | 6.50% | 4.20% |
| Cash | 3.00% | 0.77% |

HOPKINGS HILL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
August 31, 2020

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount rate

The discount rate used to measure the total pension liability of the plans was 7.0 percent. 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 and that contributions from the employers will be made at statutorily 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 of current 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.

| Changes in the Net Pension Liability | | | |
|--|----------------------------|--------------------------------|--------------------------|
| | Increase (Decrease) | | |
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| <u>Balances as of June 30, 2018</u> | <u>\$ 3,485,216</u> | <u>\$ 2,981,544</u> | <u>\$ 503,672</u> |
| Changes for the Year | | | |
| Service cost | 184,929 | - | 184,929 |
| Interest on the total pension liability | 249,183 | - | 249,183 |
| Differences between expected & actual experience | 6,295 | - | 6,295 |
| Employer contributions | - | 100,957 | (100,957) |
| Employee contributions | - | 78,995 | (78,995) |
| Net investment income | - | 206,097 | (206,097) |
| Changes of assumptions | - | - | - |
| Benefit payments, including employee refunds | (35,858) | (35,858) | - |
| Administrative expense | - | (3,252) | 3,252 |
| Other changes | - | 1 | (1) |
| Net changes | <u>404,549</u> | <u>346,940</u> | <u>57,609</u> |
| Balance as of June 30, 2019 | <u>\$ 3,889,765</u> | <u>\$ 3,328,484</u> | <u>\$ 561,281</u> |

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the net pension liability of the District calculated using the discount rate of 7.0 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

HOPKINGS HILL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
August 31, 2020

| 1.00% Decrease (6.00%) | Current Discount Rate (7.00%) | 1.00% Increase (8.00%) |
|---------------------------|----------------------------------|---------------------------|
| \$ 953,641 | \$ 561,281 | \$ 240,294 |

Pension Plan Fiduciary Net Position

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

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended August 31, 2020 the District recognized pension expense of \$164,710. The District reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Deferred Outflows/ (Inflows) of Resources |
|---|--------------------------------------|-------------------------------------|--|
| Contributions subsequent to measurement date | \$ 149,817 | \$ - | \$ 149,817 |
| Difference between projected and actual earnings | 83,949 | 251,664 | (167,715) |
| Assumption changes | 112,735 | 15,446 | 97,289 |
| Difference between expected and actual experience | 41,854 | 60,984 | (19,130) |
| Total | \$ 388,355 | \$ 328,094 | \$ 60,261 |

Deferred outflows of resources related to 2020 contributions to pension plans subsequent to the measurement date (June 30, 2019 where applicable) will be recognized as a reduction of the net pension liability for the year ended August 31, 2021.

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

| Year Ending August 31, | Net Deferred Inflows of Resources |
|------------------------------|---|
| 2021 | \$ (1,604) |
| 2022 | (37,424) |
| 2023 | (15,793) |
| 2024 | (11,989) |
| 2025 | (8,463) |
| Thereafter | (14,283) |
| Total | \$ (89,556) |

HOPKINGS HILL FIRE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 August 31, 2020

Amounts noted above and reported as deferred outflows or inflows of resources at August 31, 2020 will be recognized as a component of pension expense over the following periods of time:

- Closed 5 year period beginning in the current period for the deferred outflows or inflows of resources related to projected and actual earnings on pension plan investments.
- All other deferred outflows and inflows of resources related to pension plans as described above are amortized over a closed period of time equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (includes active and inactive employees) determined as of the beginning of the measurement period.

NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN

Plan Description

Employees not participating in Social Security participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 3.0% of their annual covered salary and employers contribute 3.0% of annual covered salary depending on years of service. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

The District recognized pension expense of \$30,853, for the fiscal year ended August 31, 2020.

The following table represents defined contribution plan requirements for public safety personnel who participate in the MERS plan:

| | | |
|--|---|---|
| MERS Public Safety members that do not contribute to Social Security | 3% | 3% |
| MERS Public Safety members that also contribute to Social Security | NO DC plan participation | |
| MERS general ee's that do not participate in Social Security – have less than 20 years of service at 7/1/2012 | 7% | 3% to 3.5% depending on years of service |
| MERS – general employees who contribute to Social Security – and had less than 20 years of service on July 1, 2012 | 5% | 1% to 1.5% depending on years of service |
| MERS – general employees – more than 20 years of service on July 1, 2012 | No DC plan contributions (ee and er) after July 1, 2015 | |

HOPKINGS HILL FIRE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
August 31, 2020

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the System. The report can be obtained at <http://www.ersri.org>.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The District has received grants from various federal and state agencies for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grants. District officials are of the opinion that such disallowances, if any, would be immaterial.

HOPKINS HILL FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS
(Unaudited)
For the Year Ended August 31, 2020

| | Original & Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------------|----------------------------|------------------|--|
| REVENUES | | | |
| Property tax collections | \$ 916,530 | \$ 902,773 | \$ (13,757) |
| Interest on taxes | 25,000 | 17,060 | (7,940) |
| Contract services | 288,994 | 264,417 | (24,577) |
| Transfer from reserves | 27,826 | 27,826 | - |
| TOTAL REVENUES | <u>1,258,350</u> | <u>1,212,076</u> | <u>(46,274)</u> |
| EXPENDITURES | | | |
| Insurance | 52,000 | 50,877 | 1,123 |
| Legal | 500 | - | 500 |
| Office supplies | 3,000 | 2,925 | 75 |
| Street lighting | 15,000 | 18,563 | (3,563) |
| Hydrant rental | 53,000 | 52,391 | 609 |
| Financial audit | 18,000 | 16,349 | 1,651 |
| Advertising | 1,000 | 80 | 920 |
| Information Tech | 2,500 | 1,032 | 1,468 |
| Total District Administration | <u>145,000</u> | <u>142,217</u> | <u>2,783</u> |
| Chairperson | 1,100 | 1,100 | - |
| Head tax assessor | 1,000 | 1,000 | - |
| Vice chairperson | 1,000 | 1,000 | - |
| Member at large | 1,000 | 1,000 | - |
| Clerk | 8,000 | 8,000 | - |
| Treasurer | 8,000 | 8,000 | - |
| Tax collector | 17,500 | 17,499 | 1 |
| Deputy chief | 2,500 | 2,500 | - |
| Assistant deputy chief | 2,000 | 2,000 | - |
| Chief engineer | 1,000 | 1,000 | - |
| Captains and lieutenants | 4,000 | 3,000 | 1,000 |
| Total District Officer Compensation | <u>47,100</u> | <u>46,099</u> | <u>1,001</u> |
| Base salaries | 596,000 | 629,200 | (33,200) |
| Payroll taxes | 15,000 | 19,319 | (4,319) |
| Pension payments | 103,000 | 99,953 | 3,047 |
| Medical plan | 112,000 | 127,372 | (15,372) |
| Full-time fill-ins | 64,000 | 101,359 | (37,359) |
| Part-time shifts | 34,000 | 9,558 | 24,442 |
| Holiday pay | 22,500 | 22,514 | (14) |
| Uniform allowance | 8,000 | 8,000 | - |
| Medical testing | 1,500 | 2,203 | (703) |
| Total Employee Payroll | <u>956,000</u> | <u>1,019,478</u> | <u>(63,478)</u> |

HOPKINS HILL FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS

(Unaudited)

For the Year Ended August 31, 2020

| | | | |
|--------------------------------------|------------------|--------------------|--------------------|
| Electric | 3,000 | 4,092 | (1,092) |
| Natural gas | 7,000 | 5,493 | 1,507 |
| Phone/Cable/Internet | 3,400 | 2,905 | 495 |
| Domestic water | 1,000 | 688 | 312 |
| Equipment maintenance contracts | 1,000 | 944 | 56 |
| Station upkeep | 4,000 | 3,212 | 788 |
| Total Station Operation | <u>19,400</u> | <u>17,334</u> | <u>2,066</u> |
| | | | |
| Diesel & gasoline | 12,000 | 10,614 | 1,386 |
| Maintenance & repairs | 30,000 | 27,555 | 2,445 |
| Total Fire Apparatus Operation | <u>42,000</u> | <u>38,169</u> | <u>3,831</u> |
| | | | |
| Rescue supplies | 4,000 | 5,591 | (1,591) |
| Oxygen refill | 1,500 | 1,116 | 384 |
| Equipment maintenance contracts | 1,500 | 2,122 | (622) |
| Cellular phone | 3,100 | 1,967 | 1,133 |
| Medical director | 3,000 | - | 3,000 |
| Total Rescue Operation | <u>13,100</u> | <u>10,796</u> | <u>2,304</u> |
| | | | |
| Miscellaneous small tools | 1,000 | 840 | 160 |
| Badges & ID's | 1,000 | - | 1,000 |
| Petty cash | 200 | 200 | - |
| Callmen pay | 15,000 | 3,830 | 11,170 |
| Educational | 3,500 | 757 | 2,743 |
| Fire chief's convention | 550 | - | 550 |
| Office supplies | 2,000 | 1,525 | 475 |
| Fire alarm maintenance | 3,500 | 2,538 | 962 |
| Total Fire Department Operations | <u>26,750</u> | <u>9,690</u> | <u>17,060</u> |
| | | | |
| New equipment | 5,000 | 8,317 | (3,317) |
| Capital purchases | 2,500 | 4,154 | (1,654) |
| Miscellaneous | 1,500 | 11,294 | (9,794) |
| | | | |
| Total Expenditures | <u>1,258,350</u> | <u>1,307,548</u> | <u>(49,198)</u> |
| | | | |
| Excess of Expenditures over Revenues | <u>\$ -</u> | <u>\$ (95,472)</u> | <u>\$ (95,472)</u> |

HOPKINGS HILL FIRE DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 August 31, 2020

BUDGETARY TO GAAP BASIS RECONCILIATION

The Schedule of Revenues, Expenditures and Changes in Fund Balances presents a comparison of the legally adopted budget (more fully described in Notes to Financial Statements – Note 2) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basis, entity and timing differences in excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended August 31, 2020 is presented below:

| | General Fund - GAAP Basis |
|--|------------------------------|
| Total Revenues and Other Financing Sources | |
| General Fund - GAAP Basis | \$ 1,264,512 |
| National Grid energy rebates not part of budget | (57,324) |
| Intergovernmental grant revenue not part of budget | (16,300) |
| Tax sale receipts not part of budget | (2,373) |
| Investment income not part of budget | (4,265) |
| Transfer from reserves | 27,826 |
| <i>Total Revenues - Budgetary Basis</i> | \$ 1,212,076 |
| Total Expenditures and Other Financing Uses | |
| General Fund - GAAP Basis | \$ 1,403,863 |
| Capital expenditures not part of budget | (48,991) |
| Grant expenditures not part of budget | (16,300) |
| Tax sale expenditures not part of budget | (1,611) |
| Returned check fees not part of budget | (37) |
| Tax collectors expenditures not part of budget | (216) |
| PY expenditures reported in FY2021 | (26,211) |
| Other employment expenditures not part of budget | (2,949) |
| <i>Total Expenditures - Budgetary Basis</i> | \$ 1,307,548 |

HOPKINS HILL FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS
SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION ASSET AND RELATED RATIOS
(Unaudited)
August 31, 2020

| | General Employees August 31, 2019 | General Employees August 31, 2018 | General Employees August 31, 2017 | General Employees August 31, 2016 | General Employees August 31, 2015 | General Employees August 31, 2014 |
|--|---|---|---|---|---|---|
| A. Total pension liability | | | | | | |
| 1. Service Cost | \$ 184,929 | \$ 172,741 | \$ 151,727 | \$ 143,253 | \$ 140,317 | \$ 133,751 |
| 2. Interest on the total pension liability | 249,183 | 242,948 | 214,573 | 196,981 | 166,668 | 148,791 |
| 3. Changes of benefit terms | - | - | - | - | 65,410 | - |
| 4. Difference between expected and actual experience of the total pension liability | 6,295 | (296,938) | 88,930 | (75,638) | 56,901 | - |
| 5. Changes of assumptions | - | - | 179,941 | - | - | (26,600) |
| 6. Benefit payments, including refunds or employee contributions | (35,858) | (35,710) | (36,210) | (32,343) | (20,832) | (20,897) |
| 7. Net change in total pension liability | 404,549 | 83,041 | 598,961 | 232,253 | 408,464 | 235,045 |
| 8. Total pension liability – beginning | 3,485,216 | 3,402,175 | 2,803,214 | 2,570,961 | 2,162,497 | 1,927,452 |
| 9. Total pension liability – ending (a) | <u>\$ 3,889,765</u> | <u>\$ 3,485,216</u> | <u>\$ 3,402,175</u> | <u>\$ 2,803,214</u> | <u>\$ 2,570,961</u> | <u>\$ 2,162,497</u> |
| B. Plan fiduciary net position | | | | | | |
| 1. Contributions – employer | \$ 100,957 | \$ 89,082 | \$ 93,353 | \$ 99,324 | \$ 95,203 | \$ 81,247 |
| 2. Contributions – employee | 78,995 | 74,297 | 72,876 | 70,789 | 56,838 | 54,816 |
| 3. Net investment income | 206,097 | 223,103 | 294,398 | (863) | 53,055 | 277,270 |
| 4. Benefit payments, including refunds of employee contributions | (35,858) | (35,710) | (36,210) | (32,343) | (20,832) | (20,897) |
| 5. Pension plan administrative expense | (3,252) | (2,970) | (2,781) | (2,324) | (2,126) | (1,736) |
| 6. Other | 1 | (138,453) | (137,874) | 89,930 | (1) | - |
| 7. Net change in plan fiduciary net position | 346,940 | 209,349 | 283,762 | 224,513 | 182,137 | 390,700 |
| 8. Plan fiduciary net position – beginning | 2,981,544 | 2,772,195 | 2,488,433 | 2,263,920 | 2,081,783 | 1,691,083 |
| 9. Plan fiduciary net position – ending (b) | <u>\$ 3,328,484</u> | <u>\$ 2,981,544</u> | <u>\$ 2,772,195</u> | <u>\$ 2,488,433</u> | <u>\$ 2,263,920</u> | <u>\$ 2,081,783</u> |
| C. Net pension liability - ending (a) - (b) | <u>\$ 561,281</u> | <u>\$ 503,672</u> | <u>\$ 629,980</u> | <u>\$ 314,781</u> | <u>\$ 307,041</u> | <u>\$ 80,714</u> |
| D. Plan fiduciary net position as a percentage of the total pension liability | 85.57% | 85.55% | 81.48% | 88.77% | 88.06% | 96.27% |
| E. Covered employee payroll | \$ 789,959 | \$ 742,971 | \$ 728,754 | \$ 707,774 | \$ 710,466 | \$ 685,201 |
| F. Net pension liability as a percentage of covered payroll | 71.05% | 67.79% | 86.45% | 44.47% | 43.22% | 11.78% |

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

HOPKINS HILL FIRE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS
SCHEDULE OF CONTRIBUTIONS (MERS)

(Unaudited)
 August 31, 2020

| | General Employees Fiscal 2019 | General Employees Fiscal 2018 | General Employees Fiscal 2017 | General Employees Fiscal 2016 | General Employees Fiscal 2015 | General Employees Fiscal 2014 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Actuarially determined contribution | \$ 100,957 | \$ 89,082 | \$ 93,353 | \$ 99,324 | \$ 95,203 | \$ 81,247 |
| Contributions in relation to the actuarially determined contribution | 100,957 | 89,082 | 93,353 | 99,324 | 95,203 | 81,247 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered-employee payroll | \$ 789,959 | \$ 742,971 | \$ 728,754 | \$ 707,774 | \$ 710,466 | \$ 685,201 |
| Contributions as a percentage of covered-employee payroll | 12.78% | 11.99% | 12.81% | 14.03% | 13.40% | 11.86% |

Notes:

1.) *Employers participating in the Municipal Employee's Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.*

2.) *Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

June 30, 2019 Measurement Date

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plan as of the June 30, 2019 measurement date compared to the June 30, 2018 measurement date.

June 30, 2018 Measurement Date

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plan as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

June 30, 2017 Measurement Date

As part of the 2017 Actuarial Experience Investigation Study for the six-year period ending June 30, 2016 as approved by the System Board on May 15, 2017, certain assumptions were modified and reflected in the determination of the net pension liability (asset) at the June 30, 2017 measurement date. The following summarizes the more significant changes in assumptions:

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, update to the ultimate rates of the MP-2016 projections scale.

June 30, 2016 Measurement Date

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plan as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date.

HOPKINS HILL FIRE DISTRICT
OTHER SUPPLEMENTARY INFORMATION SCHEDULE OF PROPERTY TAXES RECEIVABLE
 For the Year Ended August 31, 2020

| FISCAL YEAR ENDED | BALANCE September 1, 2019 | CURRENT YEAR ASSESSMENT | REFUNDS | ADDITIONS AND ADJUSTMENTS | ABATEMENTS | AMOUNT TO BE COLLECTED | CURRENT YEAR COLLECTIONS | BALANCE August 31, 2020 | FY 2020 CASH COLLECTIONS SUMMARY | | | JULY-AUGUST (FY21) CASH COLLECTIONS SUBJECT TO 60-DAY FY20 ACCRUAL |
|-------------------|---------------------------|-------------------------|---------|---------------------------|------------|------------------------|--------------------------|-------------------------|--|--|--------------------------------|--|
| | | | | | | | | | SEPT - OCT 2019 COLLECTIONS SUBJECT TO 60-DAY FY19 ACCRUAL | SEPTEMBER 2019 - AUGUST 2020 COLLECTIONS NOT SUBJECT TO 60-DAY COLLECTIONS | TOTAL FY 2020 CASH COLLECTIONS | |
| 2020 | \$ - | \$ 916,475 | \$ - | \$ (1,177) | \$ 187 | \$ 915,111 | \$ 844,476 | \$ 70,635 | \$ - | \$ 844,476 | \$ 844,476 | \$ 9,621 |
| 2019 | 58,684 | - | - | 2,172 | - | 60,856 | 40,810 | 20,046 | 18,497 | 22,313 | 40,810 | 2,249 |
| 2018 | 12,715 | - | - | 245 | - | 12,960 | 6,466 | 6,494 | 2,543 | 3,923 | 6,466 | 976 |
| 2017 | 9,527 | - | - | - | - | 9,527 | 3,253 | 6,274 | 81 | 3,172 | 3,253 | 333 |
| 2016 | 8,329 | - | - | - | - | 8,329 | 3,203 | 5,126 | 81 | 3,203 | 3,203 | 349 |
| 2015 | 7,792 | - | - | - | - | 7,792 | 3,057 | 4,735 | 78 | 2,979 | 3,057 | 203 |
| 2014 | 7,370 | - | - | - | - | 7,370 | 2,947 | 4,423 | 95 | 2,852 | 2,947 | 100 |
| 2013 | 7,281 | - | - | - | - | 7,281 | 3,079 | 4,202 | - | 3,079 | 3,079 | 82 |
| 2012 | 6,602 | - | - | - | - | 6,602 | 2,867 | 3,735 | - | 2,867 | 2,867 | 77 |
| 2011 | 133 | - | - | 16 | - | 149 | - | 149 | - | - | - | - |
| 2010 | 370 | - | - | - | - | 370 | - | 370 | - | - | - | - |
| 2009 | 261 | - | - | - | - | 261 | - | 261 | - | - | - | - |
| 2008 | 86 | - | - | - | - | 86 | - | 86 | - | - | - | - |
| 2007 | 39 | - | - | - | - | 39 | - | 39 | - | - | - | - |
| 2006 | 39 | - | - | - | - | 39 | - | 39 | - | - | - | - |
| 2005 | 29 | - | - | - | - | 29 | - | 29 | - | - | - | - |
| 2004 | 29 | - | - | - | - | 29 | - | 29 | - | - | - | - |
| | | \$ 119,286 | \$ - | \$ 1,256 | \$ 187 | \$ 1,056,630 | \$ 910,158 | \$ 126,672 | \$ 21,375 | \$ 888,783 | \$ 910,158 | \$ 13,990 |

Less: Allowance for Uncollectible Taxes \$ 10,000
 \$ 109,286

SCHEDULE OF NET ASSESSED PROPERTY VALUE BY CATEGORY
 ASSESSED DECEMBER 31, 2018 (2019 TAX ROLL)

| DESCRIPTION OF PROPERTY | VALUATIONS | LEVY |
|----------------------------|----------------|------------|
| Real property | \$ 347,689,560 | |
| Exemptions | (4,409,000) | |
| Net Real Property | 343,280,560 | \$ 879,908 |
| Tangible personal property | 16,256,638 | 36,567 |
| NET ASSESSED VALUE | \$ 359,537,218 | \$ 916,475 |

RECONCILIATION OF CURRENT YEAR PROPERTY TAX REVENUE

| | |
|--|------------|
| Current year collections | \$ 910,158 |
| Revenue collected within 60 days subsequent fiscal year ending August 31, 2020 | 13,990 |
| Less prior year 60 day revenue rule collections | (21,375) |
| CURRENT YEAR PROPERTY TAX REVENUE | \$ 902,773 |

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

To the Board of Directors
Hopkins Hill Fire District
Coventry, Rhode Island

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 Hopkins Hill Fire District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Hopkins Hill Fire District's basic financial statements, and have issued our report thereon dated February 22, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hopkins Hill 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

WADDVICK + COMPANY

West Warwick, Rhode Island
February 22, 2021